LINDQUIST
LINDQUIST+VENNUM

Minneapolis • Denver

Debera A. Heimerl
612-371-2490
dheimerl@lindquist.com
www.lindquist.com

Lindquist & Vennum PLLP
4200 IDS Center
80 South Eighth Street
Minneapolis, MN 55402-2274
Phone: (612) 371-3211
Fax: (612) 371-3207

December 1, 2011

Certified Mail, Return Receipt Requested

RECEIVED
DEC 05 2011
S.D. SEC. OF STATE

South Dakota Secretary of State
State Capitol, Suite 204
Business Division-Bond Information Statement Filing
500 East Capitol
Pierre, SD 57501-5070

Re: $7,835,000 Certificates of Participation (Limited Tax General Obligation), Series 2011A Evidencing Proportionate Interests in a Lease-Purchase Agreement between U.S. Bank National Association and Pennington County, South Dakota

Dear Filing Officer:

Enclosed for filing is a Bond Information Statement for the above-referenced transaction, together with a check for the $10.00 filing fee. A copy of the Official Statement for the above-referenced offering is also enclosed for your reference.

Please return acknowledgment of filing at your earliest opportunity. If you have any questions, please call me at (612) 371-2490.

Very truly yours,

Debera A. Heimerl
Legal Administrative Assistant

Enclosures

BOND INFORMATION STATEMENT
State of South Dakota
SDCL 6-8B-19

Return: Secretary of State
State Capitol
500 E. Capitol
Pierre, SD 57501-5077

FILING FEE: $10.00

Every public body, authority, or agency issuing any general obligation, revenue, improvements, industrial revenue, special assessment, or other bonds of any type shall file with the Secretary of State a bond information statement concerning each issue of bonds.

1.	Name of issuer:	Pennington County
2.	Designation of issue:	$7,835,000 Certificates of Participation (Limited Tax General Obligation), Series 2011A Evidencing Proportionate Interests of the Owners in a Lease-Purchase Agreement between U.S. Bank National Association and Pennington County, South Dakota
3.	Date of issue:	December 1, 2011
4.	Purpose of issue:	(i) to provide funds to refund all or a portion of the Certificates of Participation (Limited Tax General Obligation) Series 2003A (the "2003A Certificates") (the "2011A Project") and (ii) to pay the cost of issuance of the Series 2011A Certificates
5.	Type of bond:	Certificates of Participation Evidencing Proportionate Interests of the Owners in a Lease-Purchase Agreement between U.S. Bank National Association and Pennington County, South Dakota
6.	Principal amount and denomination of bond:	Series 2011A $7,835,000 in denominations of $5,000 or any integral multiple thereof,

RECEIVED
DEC 05 2011
S.D. SEC. OF STATE
2004463

7.	Paying dates of principal and interest:	See attached Official Statement
8.	Amortization schedule:	See attached Official Statement
9.	Interest rate or rates, including total aggregate interest cost:	See attached Official Statement

This is to certify that the above information pertaining to Pennington County is true and correct on this 1st day of December, 2011.

LINDQUIST & VENNUM P.L.L.P.,
as Bond Counsel

By: Elizabeth Aby

For further information regarding the enclosed filing, contact Elizabeth G. Aby, Lindquist & Vennum P.L.L.P., 4200 IDS Center, Minneapolis, Minnesota (612/371-3535).

NEW ISSUE

RATING: Moody's "Aa2"
See RATING herein

In the opinion of Lindquist & Vennum P.L.L.P., Bond Counsel, according to federal laws, regulations, ruling and decisions in effect on the date of issuance of the Series 2011A Certificates, the interest to be paid on the Series 2011A Certificates is not includable in gross income for federal income tax purposes except under certain conditions. Interest paid on Series 2011A Certificates is not an item of tax preference includable for purposes of computing the alternative minimum tax applicable to all taxpayers, including individuals, under the Internal Revenue Code of 1986 (the "Code"), however, interest paid on the Series 2011A Certificates is not includable in adjusted current earnings in determining the alternative minimum taxable income of corporations for purposes of the federal alternative minimum tax. Interest on the Series 2011A Certificates is includable in gross income for South Dakota income tax purposes when the owner is a financial institution as defined in South Dakota Codified Laws, Chapter 10-43. The Lease Payments relating to the 2011A Certificates are deemed to be "qualified tax-exempt obligation" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS," herein.

$7,835,000

Certificates of Participation, Series 2011A
(Limited Tax General Obligation)
Evidencing Proportionate Interests of the Owners
in a Lease-Purchase Agreement between
U.S. BANK NATIONAL ASSOCIATION
and
PENNINGTON COUNTY, SOUTH DAKOTA

Dated: Date of Issuance **Due: December 1, as shown on inside cover**

The Certificates of Participation Series 2011A, (the "Series 2011A Certificates") are being issued to refund a portion of the Certificates of Participation (Limited Tax General Obligation) Series 2003A (the "2003A Certificates") which were issued to finance the acquisition, construction, remodeling, expansion and equipping of the existing jail, the new jail, and the public safety building (the "Facilities") on certain real property (the "Land") located in the City of Rapid City, South Dakota. The Series 2011A Certificates represent proportionate interests in lease payments (the "Lease Payments") made under a Lease-Purchase Agreement, dated as of March 1, 2003, as amended and supplemented by the First Amendment to Lease-Purchase Agreement, dated as of March 1, 2008, the Second Amendment to the Lease Purchase Agreement, dated as of December 1, 2010 and the Third Amendment to the Lease Purchase Agreement, Dated as of October 1, 2011 (collectively, the "Lease"), pursuant to which Pennington County, South Dakota (the "County"), as lessee, is leasing the Land and Facilities from U.S. Bank National Association (the "Trustee"), as lessor. The Series 2011A Certificates are issued pursuant to a Declaration of Trust, dated as of March 1, 2003, as amended and supplemented by the First Supplemental Declaration of Trust, dated as of March 1, 2008, the Second Supplemental Declaration of Trust, dated as of December 1, 2010 and the Third Supplemental Declaration of Trust, dated as of October 1, 2011 (collectively, the "Trust Agreement") by the Trustee, and joined in by the County.

The Series 2011A Certificates are subject to redemption prior to maturity as described herein.

The County has agreed to levy a tax annually which is intended to provide the Trustee with sufficient revenue to make all Lease Payments under the Trust Agreement as they become due.

The Series 2011A Certificates are issuable in fully registered form and will be initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2011A Certificates. Purchases of beneficial ownership interests in the Series 2011A Certificates will be made in book-entry form only, in principal amounts of $5,000 or whole multiples thereof. Beneficial owners of the Series 2011A Certificates will not receive certificates evidencing their ownership interests in the Series 2011A Certificates. So long as DTC or its nominee is the registered owner of the Series 2011A Certificates, payments of principal, redemption price and interest will be made directly to DTC. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to beneficial owners is the responsibility of the DTC participants.

Interest due with respect to the Series 2011A Certificates is payable semiannually on June 1 and December 1 of each year commencing June 1, 2012. The Series 2011A Certificates mature on June 1 and December 1, as shown on the inside front cover.

The Series 2011A Certificates are offered for delivery when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal, cancellation or modification of the offer without notice, subject to delivery to and acceptance by the Underwriter, and subject to certain other conditions, including an opinion of Lindquist & Vennum P.L.L.P., Minneapolis, Minnesota, Bond Counsel, as to legality and tax exemption. Certain legal matters will be passed upon for the County by Jay Alderman, Esq., Deputy State's Attorney.

Delivery of the Series 2011A Certificates offered hereby will be made on or about December 1, 2011, against payment therefor by the Underwriter.

DOUGHERTY & COMPANY LLC

The date of this Official Statement is November 1, 2011

MATURITY SCHEDULE

Maturity Date	Principal Amount	Interest Rate	Yield	Cusip	Maturity Date	Principal Amount	Interest Rate	Yield	Cusip
12/01/2012	$ 100,000	0.55%	0.55%	708292 EV5	12/01/2018	$ 745,000	2.25%	2.25%	708292 FB8
12/01/2013	100,000	0.75	0.75	708292 EW3	12/01/2019	760,000	2.50	2.50	708292 FC6
12/01/2014	690,000	1.00	1.00	708292 EX1	12/01/2020	785,000	2.75	2.75	708292 FD4
12/01/2015	700,000	1.25	1.25	708292 EY9	12/01/2021	810,000	2.85	2.85	708292 FE2
12/01/2016	715,000	1.60	1.60	708292 EZ6	12/01/2022	840,000	3.00	3.00	708292 FF9
12/01/2017	725,000	1.90	1.90	708292 FA0	12/01/2023	865,000	3.10	3.10	708292 FG7

This Official Statement does not constitute an offer to sell the Series 2011A Certificates in any state or other jurisdiction to any person whom it is unlawful to make such offer in such state or jurisdiction. No dealer, salesman, or any person has been authorized to give any information or to make any representation other than those contained herein in connection with the offering of the Series 2011A Certificates, and if given or made, such information or representation must not be relied upon.

The information set forth herein has been obtained from the County, DTC, and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the County or anyone acting on its behalf. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Series 2011A Certificates shall, except as specifically stated herein, create any implication that there has been no change in the affairs of the County since the date of this Official Statement.

Any CUSIP numbers for the Series 2011A Certificates included in this Official Statement are provided for the convenience of the owners and prospective investors. The County is not responsible for the selection of the CUSIP numbers and makes no representation as to the accuracy thereof as printed on the Series 2011A Certificates or as set forth in this Official Statement.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION OF THE CONTRARY IS A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT CONTAINS STATEMENTS WHICH SHOULD BE CONSIDERED "FORWARD-LOOKING STATEMENTS," MEANING THEY REFER TO POSSIBLE FUTURE EVENTS OR CONDITIONS. SUCH STATEMENTS ARE GENERALLY IDENTIFIABLE BY THE WORDS SUCH AS "PLAN," "EXPECT," "ESTIMATE," "BUDGET' OR SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE COUNTY DOES NOT EXPECT OR INTEND TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED, OCCUR.

THE SERIES 2011A CERTIFICATES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SECTION 3(A)(2) OF SUCH ACT.

TABLE OF CONTENTS

INTRODUCTION 1
Definitions 1
THE CERTIFICATES OF PARTICIPATION 1
General Provisions 1
Redemption 2
Additional Certificates 2
SOURCE AND SECURITY FOR PAYMENTS 3
Lease Payments 3
Levy Limitations 4
THE 2011A PROJECT 4
SOURCES AND USES OF FUNDS 4
LEASE 4
Lease Term and Payments 4
Covenants of the County 5
Title to the Land and Facilities; Security 5
Maintenance and Repair 5
Restrictions on Assignment and Conveyance 5
Taxes 5
Insurance 6
Indemnification Covenants 6
Events of Default and Remedies 6
Damage, Destruction and Condemnation; Use of Insurance Proceeds 6
TRUST AGREEMENT 6
General 7
The Certificates of Participation 7
Funds 7
The Lease Payment Account 7
The Redemption Account 7
The 2011A Escrow Account 7
Rights of Trustee 8
Events of Default 8
Amendments to Trust Agreement and Lease 8
THE GROUND LEASE 9
TAX MATTERS 9
Series 2011A Certificates 9
RATING 10
UNDERWRITING 10
CONTINUING DISCLOSURE 10
CERTAIN LEGAL MATTERS 11
LITIGATION AND CLAIMS 11
ENFORCEABILITY OF OBLIGATIONS 11
MISCELLANEOUS 11
APPENDIX A – DEFINITIONS A-1
APPENDIX B – COUNTY INFORMATION B-1
BOARD MEMBERS EFFECTIVE September 12, 2011 .. B-1
ELECTED OFFICIALS B-1
SPECIAL SERVICES B-1
SUMMARY OF COUNTY INFORMATION B-2
Employers & Pension Plans B-2
Valuations B-3
Historical full & true value and taxable values including tax increment values - 5 year History: B-3
County Consolidated Tax Dollars Levied 5 year History .. B-4
Largest Taxpayers: 2010 pay 2011 tax year: B-4
Property Taxes B-4
Mill Rates or Dollars per Thousand of Value B-5
Tax Collections – County General B-5
Indirect Debt – General Obligation B-6
Debt Limit B-6
Debt Ratios B-6
Pennington County Revenues - 5 year History B-7
Pennington County Expenditures 5 year History B-7
Year End Fund Balances: B-8
Basis of Accounting B-8
Population and Area B-8
Income Statistics B-8
Labor Statistics 5 year History B-9
Employment by Industry B-9
Major Employers B-9
Area Growth and Development B-10
Building Permits 5 year History B-10
Medical B-10
Banking B-10
Education B-11
APPENDIX C – AUDITED FINANCIALS FOR 2010 ..... C-1
APPENDIX D – CONTINUING DISCLOSURE D-1
APPENDIX E – BOOK ENTRY ONLY SYSTEM E-1

OFFICIAL STATEMENT

$7,835,000

Certificates of Participation, Series 2011A
(Limited Tax General Obligation)

Evidencing Proportionate Interests of the Owners
in a Lease-Purchase Agreement between
U.S. BANK NATIONAL ASSOCIATION
and
PENNINGTON COUNTY, SOUTH DAKOTA

INTRODUCTION

Definitions

Certain terms used in this Official Statement are defined in Appendix A hereto.

General Description

The purpose of this Official Statement, including the cover pages and Appendices hereto, is to provide information in connection with the offering, sale and delivery of $7,835,000 aggregate principal amount of the Certificates of Participation Series 2011A, ("Series 2011A Certificates"). The Series 2011A Certificates represent the undivided ownership interest of the Owner thereof in and to the Lease-Purchase Agreement, dated as of March 1, 2003, as amended and supplemented by the First Amendment to Lease-Purchase Agreement, dated as of March 1, 2008, the Second Amendment to the Lease-Purchase Agreement, dated as of December 1, 2010 and the Third Amendment to the Lease-Purchase Agreement, dated as of October 1, 2011 (collectively, the "Lease"), by and between the Trustee as lessor and the County as lessee, and the right to receive certain revenue thereunder, including, without limitation, the Lease Payments due under the Lease, at the times, in the manner and from the sources specified therein.

The Trustee has issued the Series 2011A Certificates pursuant to a Declaration of Trust, dated as of March 1, 2003, as amended and supplemented by the First Supplemental Declaration of Trust, dated as of March 1, 2008, the Second Supplemental Declaration of Trust, dated as of December 1, 2010 and the Third Supplemental Declaration of Trust, dated as of October 1, 2011 (collectively, the "Trust Agreement"). The Trustee's interest in the Lease and in the Facilities (as defined in the Trust Agreement), including the right to receive Lease Payments, has been assigned to the Trustee for the benefit of the Owners of the Series 2011A Certificates pursuant to the terms of the Trust Agreement. Pursuant to the Lease, the County will remit such Lease Payments directly to the Trustee. The Lease Payments are payable by the County as described in "LEASE-PURCHASE AGREEMENT—Lease Term and Payments."

Pursuant to the Ground Lease, dated as of March 1, 2003, as amended by the First Amendment to the Ground Lease, dated December 1, 2010 (the "Ground Lease"), the Trustee leased the Land from the County for a term ending on December 1, 2040, automatically extendable for an additional 10-year term if the Series 2003 Certificates, the Series 2008 Certificates, the Series 2010 Certificates, or the Series 2011A Certificates have not been paid.

THE CERTIFICATES OF PARTICIPATION

General Provisions

The Series 2011A Certificates will be authenticated and issued by the Trustee pursuant to the Trust Agreement. Each series of Series 2011A Certificates will be initially dated the date of issuance and will mature as shown on the inside cover page hereof. Interest on the Series 2011A Certificates is payable on each June 1, and December 1, commencing June 1, 2012. The Series 2011A Certificates are issuable in denominations of $5,000. Each Series 2011A Certificate evidences the Owner's right to receive distributions of a portion of the Lease Payments payable by the County pursuant to the Lease.

Principal, redemption price and interest will be payable to the beneficial owners of the Series 2011A Certificates through the facilities of DTC for so long as the book-entry system is in effect. See "BOOK-ENTRY ONLY SYSTEM" Appendix E. In the event that the book-entry system is discontinued for the Series 2011A Certificates: (1) the principal and redemption price of the Series 2011A Certificates will be payable at the principal corporate office of the Trustee in Saint Paul, Minnesota; and (ii) interest will be payable by check or draft of the Trustee mailed on the Interest Payment Date to the persons who were registered owners thereof as of the fifteenth day of the month preceding the Interest Payment Date. If any payment of interest or principal is due on a day that is not a business day, payment is required to be made on the next succeeding business day with the same effect as if paid when otherwise due.

Series 2011A Certificates may be transferred or exchanged upon surrender at the principal corporate office of the Trustee, in the manner provided in the Trust Agreement.

Redemption

Extraordinary Redemption. The Series 2011A Certificates are subject to redemption, in whole, but not in part, on any date for which notice of redemption can be given, at a redemption price equal to their principal amount plus accrued interest, if the County elects, or is required to prepay the Lease Payments upon the occurrence of certain events of damage to, or destruction or condemnation of the Facilities.

Optional Redemption. The Series 2011A Certificates maturing on and after December 1, 2017, are subject to redemption on and after December 1, 2016, in whole on any date or in part on any date, at a price equal to the principal amount thereof to be redeemed, plus interest accrued to the date of redemption.

Selection of Certificates for Redemption. The Series 2011A Certificates shall be called for redemption in whole or in part, and if in part, at the option of the County and in such order as the County shall determine. If less than all the 2011A Certificates are to be redeemed, the Trustee will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity and series to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed.

Notice of Redemption. When redemption is authorized or required, the Trustee shall give the Owners of the Series 2011A Certificates to be redeemed notice of the redemption of their Series 2011A Certificates. Such notice shall specify: (a) the series of Series 2011A Certificates to be redeemed; (b) the date of redemption; and (c) the place or places where the redemption will be made. Such notice shall further state that on the specified redemption date interest on the Series 2011A Certificates to be redeemed shall cease to accrue and be payable.

Notice of such redemption shall be given not less than thirty (30) days prior to the redemption date by mailing first class, postage prepaid, copies thereof to the Owners whose Series 2011A Certificates are to be redeemed; provided that notice shall be given to any securities depository in accordance with its operational arrangements. Failure to mail such notice and any defect in such notice shall not affect the validity of the proceedings for the redemption of any Series 2011A Certificate not affected by such failure or defect.

Additional Certificates

Additional Certificates may be issued under and be equally and ratably secured by the Trust Agreement on a parity with the Certificates issued under the Trust Agreement and any other Additional Certificates Outstanding, at any time and from time to time, for any of the following purposes.

To provide funds to pay all or any part of the costs of completing the Project, the total of such costs to be evidenced by a certificate signed by an Authorized Officer of the County.

To provide funds to pay all or any part of the costs of repairing, replacing or restoring the Project in the event of damage, destruction or condemnation thereto or thereof, but only to the extent that such costs exceed the Net Proceeds of the insurance or condemnation awards out of which such costs are to be paid pursuant to the Lease.

To provide funds to pay all or any part of the costs of acquisition, construction, furnishing and equipping of additions to the Facilities.

To provide funds for refunding all or any portion of the Certificates of any series issued under the Trust Agreement then Outstanding, including the payment of any premium thereon and interest to accrue to the designated redemption date and any expenses in connection with such refunding.

Before any Additional Certificates shall be issued under the Trust Agreement, the County shall adopt a resolution (i) authorizing or approving the issuance of such Additional Certificates; (ii) authorizing or approving the execution of a Supplemental Trust Agreement for the purpose of issuing such Additional Certificates and fixing the amount and terms thereof and describing the purpose or purposes for which such Additional Certificates are being issued or describing the Certificates to be refunded; and, if required, (iii) authorizing the execution of an amendment to the Lease to provide for Lease Payments at least sufficient to pay amounts representing principal, premium, if any, and interest with respect to the Certificates then to be Outstanding (including the Additional Certificates to be issued) as the same become due.

Except as to any difference in date, maturity, interest rate or redemption provisions, such Additional Certificates shall be on a parity with and shall be entitled to the same benefit and security of the Trust Agreement as the Certificates and any other Additional Certificates Outstanding after the issuance of such Additional Certificates.

Such Additional Certificates shall be executed substantially in the form and manner set forth in the Trust Agreement, upon filing with the Trustee of the following:

(1) An original or certified copy of the resolution adopted by the County Board authorizing or approving the issuance of such Additional Certificates and the execution of such Supplemental Trust Agreement.

(2) An original executed counterpart of the Supplemental Trust Agreement providing for the issuance of such Additional Certificates.

(3) An original executed counterpart of the amendment to the Lease, if required, which amendment shall clearly establish that the County has agreed that the Additional Certificates shall constitute Certificates for the purpose of computing the required Lease Payments.

(4) A request and authorization to the Trustee, on behalf of the County, executed by an Authorized Officer of the County, to execute the Additional Certificates and to deliver them to the Original Purchaser therein identified upon payment of the purchase price thereof to the Trustee.

(5) An opinion of counsel nationally recognized in the area of municipal finance to the effect that the issuance of such Additional Certificates will not result in amounts representing interest payable with respect to any Certificates then Outstanding (including such Additional Certificates) becoming includable in gross income for federal income tax purposes.

(6) In the case of Additional Certificates being issued to refund Outstanding Certificates, such additional documents as shall be reasonably required by the Trustee to evidence that provision has been duly made in accordance with the provisions of the Trust Agreement for the payment of all of the Certificates to be refunded.

(7) Such other Certificates, statements, receipts and documents as the Trustee shall reasonably require for the delivery of such Additional Certificates.

Except as described above, no obligations payable from the sources pledged for payment or security of the Certificates relating to the Trust Agreement, shall be issued on a parity with the Certificates relating to the Trust Agreement, but obligations subordinate to the Certificates relating to the Trust Agreement, may be issued upon the express written direction and consent of the County.

SOURCE AND SECURITY FOR PAYMENTS

Lease Payments

The Lease requires payment of semi-annual Lease Payments by the County, which payments are to be paid directly to the Trustee. The Lease Payments are due from the County on the third Business Day preceding the end of each June and December.

The Lease is not subject to termination by the County except upon payment or prepayment of the Lease Payments, and the County's obligation to make Lease Payments is absolute and unconditional. The County has covenanted in its Resolution authorizing the Series 2011A Certificates (the "Resolution") that it will budget and appropriate sufficient moneys in each year of the Lease term to pay the Lease Payments when due and to pay any other amounts payable by the County under the Lease. The County further covenants in the Resolution that it will take all actions necessary to provide moneys to make such payments under the Lease, including the levy of such taxes as may be necessary, subject only to the limitations on such levies imposed by South Dakota law. The current

and proposed limitations on the County's ability to levy taxes to pay the Lease Payments and other amounts payable under the Lease are discussed below.

Levy Limitations

The tax levy for general purposes by a county in the State cannot exceed twelve dollars ($12.00) per thousand dollars of taxable valuation. In addition to the tax levy for general purposes, a South Dakota county may levy up to $.90 per thousand dollars of taxable valuation for county buildings. South Dakota Codified Laws, Section 10-13-35 provides that the total amount of revenue derived from property taxes for county purposes may increase over the prior year's revenues by the smaller of three percent (3%) or the CPI inflation index and increases in revenues from additions, improvements or changes in the use of real property are permitted, as well as increased revenues resulting from annexations, reorganizations and certain other limited circumstances. South Dakota Codified Laws, Section 10-13-35 also provides that a county may increase its revenues above the revenue limitation to pay principal, interest, and redemption charges on any bonds, which were subject to a referendum and the Series 2011A Certificates do **not** qualify for this increase of revenues by the County.

Under South Dakota Codified Laws, Section 10-13-36, the revenue limitations under South Dakota Codified Laws, Section 10-13-35 may be exceeded by an excess tax levy imposed by a two-thirds vote of the County Commission, subject to a referendum by petition by 5% of the registered voters of the County. ***No increase in the County Consolidated Levy will be necessary for the payment of the Series 2011A Certificates beyond the limitations imposed by South Dakota Codified Laws, Section 10-13-35.*** For 2010 taxes payable in 2011 the County's General Fund Levy will be $4.233, its Building Fund Levy will be $0.537, its Bond Redemption Fund Levy will be $0 and the Agricultural Building Fund Levy will be $0.073 for a County Consolidated Levy of $4.843. The Building Fund Levy can not exceed $0.90/$1,000 of taxable valuation and the Agricultural Building Fund Levy cannot exceed $0.30/$1000 of taxable valuation.

THE 2011A PROJECT

The proceeds of the 2011A Certificates will be used to refund all or a portion of the Certificates of Participation (Limited Tax General Obligation) Series 2003A (the "2003A Certificates").

SOURCES AND USES OF FUNDS

The sources and uses of funds, including proceeds of the sale and issuance of the Series 2011A Certificates are expected to be as follows:

Sources	
Series 2011A Certificates	$7,835,000.00
Uses	
2011A Escrow Account	$7,727,725.36
Cost of Issuance, including Underwriter's Discount	107,274.64
Total	$7,835,000.00

LEASE

The following is a summary of certain provisions of the Lease. This summary does not purport to be complete, and reference is made to the full text of the Lease for a complete recital of its terms.

Lease Term and Payments

The Lease-Purchase Agreement, dated as of March 1, 2003 (the "Original Lease"), as amended and supplemented by the First Amendment to Lease-Purchase Agreement, dated as of March 1, 2008 (the "First Amendment to Lease"), the Second Amendment to Lease-Purchase Agreement, dated as of December 1, 2010 (the "Second Amendment to Lease") and the Third Amendment to Lease-Purchase Agreement, dated as of October 1, 2011 (the "Third Amendment to Lease") (collectively, the Original Lease, as amended and supplemented by the

First Amendment to Lease, the Second Amendment to Lease and the Third Amendment to Lease is herein referred to as the "Lease") and extends until December 1, 2040. The Lease Payments due under the Third Amendment to Lease commence on June 1, 2012 and are payable semiannually thereafter, with the last Lease Payment payable under the Third Amendment to Lease due on the third business day preceding December 1, 2023.

The Lease shall terminate prior to December 1, 2040, upon the earliest of the following events:

(a) the County elects to exercise its option to deposit with the Trustee cash or securities sufficient to pay or prepay all unpaid Lease Payments when they are due; or

(b) the County elects to exercise its option to prepay all of the Lease Payments.

The Lease is otherwise not terminable by the County, and the County has covenanted to include each year in its annual budget moneys sufficient to pay the Lease Payments and other obligations of the County under the Lease.

Covenants of the County

The County represents, covenants and warrants that: (a) the County is authorized under the Constitution and laws of the State of South Dakota to enter into the Lease and the transactions contemplated therein, and to perform all of its obligations thereunder; (b) the officers of the County executing the Lease have been duly authorized to execute and deliver the Lease and (c) the Facilities will be used during the term of the Lease primarily to carry out the governmental or proprietary purposes of the County and its departments, agencies, institutions, instrumentalities and political subdivisions.

Title to the Land and Facilities; Security

Title to the Land or a leasehold interest in the Land and the Facilities will be held by the Trustee during the term of the Lease, unless the County discharges its obligation to make the Lease Payments pursuant to the Lease, at which time the Trustee will convey title to the County.

Title to the Land and Facilities will also pass to the County upon payment of an amount of cash or securities which are general obligations of the United States sufficient to pay all Lease Payments when due or subject to prepayment.

Maintenance and Repair

The County agrees that at all times during the term of the Lease, the County will, at the County's sole cost and expense, maintain, preserve and keep the Land and Facilities, or part and parcel thereof, in good repair, working order and condition and that the County will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals.

Restrictions on Assignment and Conveyance

The Lease and the Land and Facilities may not be sold, leased, pledged, assigned or otherwise encumbered by the County for any reason. Such restrictions shall not preclude the County from permitting the use of the Land and Facilities by others for public purposes or in furtherance of any governmental or proprietary functions of the County. No such permitted use or lease shall relieve the County of its obligations under the Lease.

Taxes

The County shall pay all property and excise taxes and governmental charges of any kind whatsoever which may at any time be lawfully assessed or levied against or with respect to the Land and Facilities or any part thereof or the Lease Payments, and which become due during the term of the Lease with respect thereto; and all special assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the Land and Facilities; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the County shall be obligated to pay only such installments as are required to be paid during the term of the Lease as and when the same become due. The County shall not be required to pay any federal, state or local income, inheritance, estate, succession, transfer, gift, franchise, gross receipts, profit, excess profit, capital stock, corporate or other similar tax payable by the Trustee, its successors or assigns, unless such tax is made in lieu of or as a substitute for any real estate or other tax upon property.

Insurance

The County shall cause adequate casualty, public liability and property damage insurance in specified amounts (with respect to the casualty insurance, in an amount not less than the full insurable value of the Facilities, but in no event less than the outstanding principal balance of the purchase price to be paid under the Lease) to be carried and maintained with respect to the Land and Facilities and to protect the Trustee from liability in all events.

Indemnification Covenants

As between the Trustee and the County, the County assumes all risks and liabilities, whether or not covered by insurance, for loss or damage to the Facilities and for injury to or death of any person or damage to any property, whether such injury or death be with respect to agents or employees of the County, the Trustee or of third parties, and whether such property damage be to the County or the Trustee's property or the property of others, which is proximately caused by the negligent conduct of the County, its officers, employees, agents and lessees, or arising out of the operation, maintenance or use of the Land and Facilities by the County, its officers, employees, agents and lessees. The County assumes responsibility for and agrees to reimburse the Trustee for all liabilities, obligations, losses, damages, penalties, claims, actions, costs and expenses (including reasonable attorneys' fees) of whatsoever kind and nature, imposed on, incurred by or asserted against the Trustee or its officers or employees that in any way relate to or arise out of a claim, suit or proceeding based in whole or in part on the foregoing, to the maximum extent permitted by law.

Events of Default and Remedies

The occurrence of one or more of the following events shall constitute an Event of Default under the Lease: (a) failure by the County to pay any Lease Payment or other payment required to be paid under the Lease at the time specified therein; (b) failure by the County to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than the failure to timely pay any Lease Payment or other required payment, for a period of forty-five (45) days after written notice to the County by the Trustee, specifying such failure and requesting that it be remedied, unless the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Trustee has agreed not to withhold unreasonably its consent to an extension of such time if corrective action is instituted by the County within any applicable period and diligently pursued until the default is corrected; or (c) the occurrence of an Act of Bankruptcy.

Upon the occurrence of any Event of Default specified in the Lease, any or all of the following remedies are provided: (a) without terminating the Lease, and subject to the rights of any entity subleasing all or any portion of the Land and Facilities which is not in default under a sublease complying with the Lease, re-enter and take possession of the Land and Facilities and exclude the County and any sublessee in default from using it until the default is cured; or (b) take whatever action at law or in equity may appear necessary or desirable to (i) collect the Lease Payments then due or as they become due, or (ii) enforce performance and observance of any obligation, agreement or covenant of the County under the Lease or the Resolution, including without limitation enforcing the obligations of the County to budget and levy taxes for the payment of the Lease Payments.

Damage, Destruction and Condemnation; Use of Insurance Proceeds

If, while the Lease is in effect, (a) the Facilities, or any portion thereof, are destroyed (in whole or in part) or damaged by fire or other casualty or, (b) title to, or the temporary use of, the Land and Facilities (or any part thereof) or the estate of the County or the Trustee in the Land and Facilities, or any part thereof, shall be taken under the exercise of the power of eminent domain by any governmental body, or any person, firm or corporation acting under governmental authority, the County will cause the net proceeds of any insurance claim or condemnation award to be applied to the prompt repair, restoration, modification or improvement of the Land and Facilities.

If the net proceeds of insurance or a condemnation award are insufficient to pay in full the cost of any repair, restoration, modification or improvement to the Land and Facilities, the County either (a) shall complete the work and pay any costs in excess of the amount of the net proceeds of insurance or a condemnation award, or (b) may apply the net proceeds to prepayment of Lease Payments.

TRUST AGREEMENT

The following is a summary of certain provisions of the Trust Agreement. This summary does not purport to be complete, and reference is made to the full text of the Trust Agreement for a complete recital of its terms.

General

The Trust Agreement is executed by the Trustee and joined in by the County. The purpose of the Trust Agreement is to provide for the authentication, issuance, payment and redemption of the Certificates issued thereunder and to provide for the creation of a Trust Fund for such Certificates for the purposes hereinafter described.

The Certificates of Participation

The Trustee is authorized upon receipt of a request from the County to issue, authenticate and deliver the Series 2011A Certificates. The Series 2011A Certificates will be issued in the form provided in the Trust Agreement and shall evidence the ownership interest of the Owners of the Series 2011A Certificates in and to the Lease and the Lease Payments to be paid by the County to the Trustee pursuant to the Lease and the Trust Agreement, and all revenues derived from the Lease, any money made available for distribution to the Owners of the Certificates from the subsequent sale, leasing or other disposition of the Land and Facilities as a result of an event of default, and any other moneys required to be paid to the Trustee for the Owners of Certificates.

Funds

The Trust Agreement creates a fund known as the Trust Fund. All moneys and investments held by the Trustee under the Trust Agreement are held for the benefit of the present and future Owners of the Certificates and shall be expended only as provided in the Trust Agreement. Within the Trust Fund, there are created a Lease Payment Account, a Redemption Account and a Construction Account.

The Lease Payment Account

The Trust Agreement establishes a Lease Payment Account into which shall be deposited the amount of any transfer from the Construction Account, all interest or income received by the Trustee with respect to the Lease or the Land and Facilities.

On each Payment Date, the Trustee shall withdraw from the Lease Payment Account an amount equal to the principal and interest payments due with respect to the Certificates on such Payment Date. Such amount shall be applied to the payment of principal and interest payments due with respect to the Certificates on such Payment Date. The Trustee shall transfer from the Lease Payment Account to the Redemption Account all moneys on hand or received in the Lease Payment Account which are to be used for the redemption of Certificates.

The Redemption Account

The Trustee shall deposit into the Redemption Account all moneys paid to it by the County pursuant to any of the County's prepayment options and, in the event of termination of the Lease as a result of an event of default under the Lease, all net proceeds received from the sale or other disposition of the Land and Facilities. Also, in the event of termination of the Lease as a result of an event of default or the exercise by the County of its option to prepay Installment Payments, the Trustee shall transfer to the Redemption Account all moneys on hand in the Lease Payment Account not required to pay principal and interest due or past due on the Series 2011A Certificates.

All moneys on hand in the Redemption Account which will not be used for the redemption of Series 2011A Certificates within thirty (30) days after the date of deposit of such funds, shall be invested at a yield not exceeding the yield on the Lease, computed in accordance with Section 148 of the Code and regulations promulgated thereunder. However, such funds may be invested at a higher yield if the County obtains and delivers to the Trustee an opinion of an attorney or firm of attorneys nationally recognized as bond counsel stating that the investment of such moneys may be made without restriction as to yield or subject to another yield limitation. Any moneys remaining in the Redemption Account after redemption of all outstanding Series 2011A Certificates shall be paid to the County.

The 2011A Escrow Account

All of the net proceeds of the 2011A Certificates other than the amounts deposited in the Construction Fund to pay issuance costs of the 2011A Certificates shall be deposited in the 2011A Escrow Account created under the Trust Agreement. The Trustee shall, from the 2011A Escrow Account, provide funds sufficient to defease a portion of the 2003 Certificates then outstanding in make payments there from in accordance with the terms of the Trust Agreement.

Rights of Trustee

In carrying out its duties and exercising its powers under the Lease, the Trustee shall exercise that degree of care under the circumstances then prevailing which men of prudence, discretion and intelligence exercise in the management of their own business affairs.

The Trustee shall be protected and shall incur no obligation or liability with respect to the payment of Lease Payments by the County or the performance by the County of any of its obligations under the Lease. The Trustee shall not be bound to recognize any person as an Owner of any Certificate or to take any action at his request unless such Certificate shall be deposited with the Trustee or satisfactory evidence of the ownership of such Certificate shall be furnished to the Trustee.

The Trust Agreement does not require that the Trustee expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Trust Agreement, or in the exercise of any of its right or powers thereunder. The Trustee shall not be individually liable for any payments to be made under any Certificates, the Trust Agreement or the Lease. The Trustee shall be under no obligation to institute or to take any immediate action, or to enter any appearance or in any way defend any suit in which it may be made a defendant, take any steps in the enforcement of any rights and powers under the Trust Agreement until it shall be indemnified to its satisfaction for any and all costs, expenses, outlays and counsel fees and any other reasonable disbursements and against all liabilities. The Trustee shall be compensated by the County and such compensation shall not be paid from the Lease Payments or any other revenues received pursuant to the Lease or funds held by the Trustee except with respect to amounts expended in connection with the exercise of remedies upon the occurrence of any event of default.

The Trustee may resign, and thereby become discharged from its obligations under the Trust Agreement, by notice in writing given to the Owners of the Certificates. The Trustee may be removed at any time by instrument in writing executed by the Owners of not less than a majority of the aggregate principal amount of the Certificates or by agreement between the County and the Trustee. If at any time the position of Trustee shall become vacant, a majority of the Registered Owners shall appoint a Trustee to fill such vacancy.

Events of Default

Upon the occurrence of any Event of Default under the Lease, the Trustee or the Owners of not less than a majority of the aggregate principal amount of the Certificates then outstanding shall be entitled, upon notice in writing to the County and the Trustee, to enforce the rights and exercise the remedies provided to the Trustee in the Lease, as appropriate.

Amendments to Trust Agreement and Lease

The Trust Agreement and the Lease may be amended in writing by agreement among all of the parties thereto, but, except as provided below no such amendment shall become effective without the prior written consent of two-thirds in aggregate principal amount of the Certificates then Outstanding; provided that no such amendment shall impair the right of any Owner to receive his or her proportionate share of any Lease Payment in accordance with his or her Certificate; provided that amendments required by a Rating Agency as a condition to maintaining the initial rating on the Certificates shall not require consent of Certificate Owners.

The County and the Trustee may, without the consent of or notice to any of the Owners of the Certificates, enter into one or more amendments to the Trust Agreement or the Lease for one or more of the following purposes:

(a) To cure any ambiguity or formal defect or omission herein or to correct or supplement any provision therein which may be inconsistent with any other provision therein, or to make provisions with respect to matters or questions arising thereunder provided such action shall not, in the judgment of the Trustee (with respect to which the Trustee may rely on an opinion of counsel), materially adversely affect the interests of the Owners of the Certificates;

(b) To grant or confer upon the Owners of the Certificates any additional rights, remedies, power or authority that may lawfully be granted or conferred upon them;

(c) To comply with the requirements of any State or federal securities laws or the Trust Indenture Act of 1939, as from time to time amended, if required by law or regulation lawfully issued thereunder;

(d) To provide for the appointment of a successor trustee or co-trustee pursuant to the terms hereof;

(e) To permit: (i) if lawful, the issuance of Certificates in book-entry form not evidenced by physical Certificates, or (ii) Certificates in bearer form if, in the opinion of Bond Counsel, such action will not cause the interest component of any Lease Payment to become includable in the gross income of the Owners of the Certificates thereof for federal income tax purposes;

(f) To subject to the Trust Agreement additional revenues, properties or collateral; or

(g) To issue Additional Certificates as provided in the Trust Agreement.

THE GROUND LEASE

The following is a summary of certain provisions of the Ground Lease. This summary does not purport to be complete, and reference is made to the full text of the Ground Lease for a complete recital of its terms.

The County, pursuant to the Ground Lease as amended by the First Amendment to the Ground Lease has leased the Land from the Trustee for a term commencing on March 1, 2003 and ending on December 1, 2040 (unless the Lease Payments have not been fully paid by that date, in which event, the term of the Ground Lease is automatically extended to December 1, 2050), for the purpose of (i) acquiring and constructing the Facilities on the Land. (ii) maintaining the Facilities, (iii) access, ingress, and egress to the Facilities, and (iv) other purposes as set forth therein.

TAX MATTERS

Series 2011A Certificates

In the opinion of Lindquist & Vennum P.L.L.P., as Bond Counsel, on the basis of laws in effect on the date of issuance of the Series 2011A Certificates, the interest component of the Lease Payments to be received by the Owners of the Series 2011A Certificates is not includible in gross income for federal income tax purposes. The interest component of the Lease Payments to be received by the Owners of the Series 2011A Certificates is includible in gross income for South Dakota tax purposes when the recipient is a financial institution as defined in South Dakota Codified Laws, Chapter 10-43. In rendering its opinion, Bond Counsel will rely on certain covenants and representations on the part of the County concerning the nature and cost of the facilities being financed from proceeds of the Series 2011A Certificates and the application and investment of proceeds of the Series 2011A Certificates. Moreover, certain provisions of the Internal Revenue Code of 1986, as amended (the Code), impose continuing requirements that must be met after the issuance of the Series 2011A Certificates in order for interest thereon to be and remain not includible in federal gross income. Noncompliance with such requirements by the County may cause the interest component of the Lease Payments to be received by the Owners of the Series 2011A Certificates to be includible in federal gross income, retroactive to the date of issuance of the Series 2011A Certificates, irrespective in some cases of the date on which such noncompliance occurs or is ascertained. No provision has been made for redemption of the Series 2011A Certificates or for an increase in the interest rate on the Series 2011A Certificates in the event that interest on the Series 2011A Certificates becomes includible in federal gross income.

The interest component of the Lease Payments to be received by the Owners of the Series 2011A Certificates is not an item of tax preference includible in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers, but is includible in book income or in earnings and profits in determining the alternative minimum taxable income of corporations for purposes of the federal alternative minimum tax. The interest component of the Lease Payments to be received by the Owners of the Series 2011A Certificates may be includible in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code and is includible in the net investment income of foreign insurance companies for purposes of Section 842(b) of the Code. In the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as losses incurred under Section 832(b)(5) of the Code must be reduced by an amount equal to fifteen percent (15%) of the interest component of the Lease Payments to be received by the Owners of the Series 2011A Certificates that is received or accrued during the taxable year. Section 86 of the Code requires recipients of certain Social Security and railroad retirement benefits to take into account the interest component of the Lease Payments to be received by the Owners of the Series 2011A Certificates in determining the taxability of such benefits. Passive investment income, including the interest component of the Lease Payments to be received by the Owners of the Series 2011A Certificates, may be subject to federal income taxation under Section 1375 of the Code for an S corporation that has Subchapter C earnings and

profits at the close of the taxable year if more than twenty-five percent (25%) of its gross receipts is passive investment income.

The Lease and the 2011A Certificates are deemed to be "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code, and financial institutions described in Section 265(b)(3) of the Code may treat the 2011A Certificates for purposes of Section 265(b)(2) and 291(e)(1)(B) of the Code as if they were acquired on August 7, 1986. Noncompliance with certain continuing requirements of the Code referred to above, however, may cause the 2011A Certificates to lose their status as "qualified tax-exempt obligations" retroactive to the date of issuance of the 2011A Certificates.

On September 12, 2011, President Obama proposed to Congress the enactment of legislation entitled the "American Jobs Act of 2011" (the "Jobs Act"). If enacted as currently proposed, the Jobs Act would result in federal income tax being imposed on a portion of the interest received by certain individual owners of state or local bonds, including the Bonds, for taxable years beginning on or after January 1, 2013. No prediction is made whether this provision will be enacted as proposed or concerning other future legislation affecting the tax treatment of interest on the Bonds.

The foregoing is not intended to be an exhaustive discussion of collateral tax consequences arising from receipt of interest with respect to the Series 2011A Certificates. Prospective purchasers or owners of the Series 2011A Certificates should consult their tax advisors with respect to collateral tax consequences, including without limitation the calculations of alternative minimum tax, environmental tax or foreign branch profits tax liability or the inclusion of Social Security or other retirement payments in taxable income.

RATING

Moody's Investors Service, Inc. has assigned the Series 2011A Certificates the rating of "Aa2". Such rating reflects only the view of Moody's Investors Service, Inc., and an explanation of the significance of such ratings may be obtained from Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007, telephone (212) 553-0300. There is no assurance that this rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's Investors Service, Inc. if in the judgment of Moody's Investors Service Inc., circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Series 2011A Certificates.

UNDERWRITING

The Underwriter will purchase the aggregate principal amount of the Series 2011A Certificates upon their original issuance and delivery at a purchase price of $7,776,237.50 (reflecting an underwriter's discount of $58,762.50). The Underwriter will purchase all of the Series 2011A Certificates offered hereby if any of the Series 2011A Certificates are purchased.

The Series 2011A Certificates are being offered for sale at the prices set forth on the inside cover page of this Official Statement, which prices may be changed by the Underwriter from time to time without notice. The Series 2011A Certificates may be offered and sold to dealers, and dealers acquiring Series 2011A Certificates for their own account or an account managed by them at prices lower than public offering prices.

CONTINUING DISCLOSURE

Pursuant to Rule 15c2-12, as amended ("Rule 15c2-12"), of the Securities and Exchange Commission (the "SEC"), the County will covenant and agree in a Continuing Disclosure Agreement for the benefit of the registered holders or beneficial owners from time to time of the Series 2011A Certificates to provide certain financial information and operating data relating to the County by no later than nine (9) months after the end of each fiscal year, commencing on or before September 30, 2012 (the "Annual Financial Information"), and to provide notices of the occurrence of certain enumerated events, if material (the "Disclosure Covenants"). The Annual Financial Information will be filed by or on behalf of the County to the Municipal Securities Rulemaking Board at its Electronic Municipal Market Access System ("EMMA"). Notices of material events will be filed by or on behalf of the County with EMMA. The County's undertaking to provide ongoing disclosure will be substantially in the form set forth in Appendix G – "CONTINUING DISCLOSURE AGREEMENT."

Breach of the Disclosure Covenants will not constitute a default or an "Event of Default" under the Continuing Disclosure Agreement. A broker or dealer is to consider a known breach of the Disclosure Covenants, however, before recommending the purchase or sale of the Series 2011A Certificates in the secondary market. Thus, a failure on the part of the County to observe the Disclosure Covenants may adversely affect the transferability and liquidity of the Series 2011A Certificates and their market price.

CERTAIN LEGAL MATTERS

The validity of the Lease and the Series 2011A Certificates and certain other matters will be passed upon by Lindquist & Vennum P.L.L.P., Minneapolis, Minnesota. Copies of such opinion will be available at the time of delivery of the Series 2011A Certificates. Certain legal matters will be passed upon for the County by its counsel, Jay Alderman, Esq., Deputy State's Attorney.

LITIGATION AND CLAIMS

There is no litigation of any nature now pending or threatened questioning the organization of the County, the right of its present officials to hold their respective offices, or the right, power and authority of the County to enter into the Lease or to levy and collect taxes for its repayment.

ENFORCEABILITY OF OBLIGATIONS

On the closing date for delivery of the Series 2011A Certificates to the Underwriter thereof, Lindquist & Vennum P.L.L.P., Minneapolis, Minnesota, Bond Counsel, will deliver their opinion dated the date of such delivery that the Series 2011A Certificates, the Lease, the Ground Lease and the Trust Agreement are valid and legally binding agreements, enforceable in accordance with their terms, respectively, qualified only to the extent that the enforceability of the Series 2011A Certificates, the Trust Agreement, the Ground Lease and the Lease may be limited by laws affecting remedies and by bankruptcy or insolvency or other laws affecting creditors' rights generally.

Bond Counsel has not examined nor attempted to examine or verify any of the information or data contained in this Official Statement, and will express no opinion with respect thereto.

MISCELLANEOUS

Any statements made in this Official Statement, including Appendix A, involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact, and no representations are made that any of the estimates will be realized.

The references herein to the Trust Agreement, the Lease, and other documents referred to herein are brief summaries of certain provisions thereof. Such summaries do not purport to be complete, and reference is made to such documents for full and complete statements of such provisions.

(This page has been left blank intentionally.)

APPENDIX A –
DEFINITIONS

As used in the Lease, the Trust Agreement and the Ground Lease described herein, the following terms have the meanings indicated below:

Act of Bankruptcy shall mean any of the following events:

(i) The County shall (a) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee, liquidator or the like of the County or of all or a substantial part of either of their property, (b) commence a voluntary case under the Federal Bankruptcy Code (as now or hereafter in effect), or (c) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts; or

(ii) A proceeding or case shall be commenced, without the application or consent of the County, as the case may be, in any court of competent jurisdiction, seeking (a) the liquidation, reorganization, dissolution, winding-up, or the composition or adjustment of debts, of the County (b) the appointment of a trustee, receiver, custodian, liquidator or the like of the County or of all or any substantial part of the assets of the County, or (c) similar relief in respect of the County under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts, and such proceeding or case has not been dismissed within sixty (60) days of the filing thereof.

Authorized Newspapers shall mean a financial paper or a newspaper of general circulation in Pennington County, South Dakota.

Authorized Officer when used with respect to the County, shall mean the County Auditor or any other person who is designated in writing by the County Auditor as an Authorized Officer for purposes of the Trust Agreement. The term "Authorized Officer," when used with respect to the Trustee, means any Vice President and/or trust officer who is authorized to take the action in question on behalf of the Trustee.

Certificates means collectively the Series 2003 Certificates, the Series 2008A Certificates, the Series 2010 Certificates, and the Series 2011A Certificates.

Construction Costs all costs of payment of or reimbursement for, acquisition, renovation, construction, installation and financing of the Facilities, including but not limited to, administrative costs, engineering costs, costs of feasibility, environmental and other reports, inspection costs, permit fees, filing and recording costs, costs of obtaining title insurance or a title opinion, printing costs, reproduction and binding costs, legal fees and charges, professional consultant fees, and charges and fees in connection with the foregoing; if the Certificates are secured by bond insurance or other credit enhancement, then, to the extent permitted by the Code, the initial premium or fee and any premium or fee paid during the construction of the Facilities, for such bond insurance or other credit enhancement shall be treated as part of the Construction Costs.

Cost of Issuance shall mean all fees and expenses incurred by the County in connection with the execution and delivery of the Lease and the issuance of the Certificates, including, but not limited to, costs of preparing and printing the Certificates, the Lease, the Trust Agreement, the Official Statement relating to the Certificates, and related documents; legal fees (including those of counsel to the Trustee, the County and the Underwriter); Rating Agency fees; bond insurance and the Trustee's initial fees.

Facilities shall mean the buildings, structures and improvements now or hereafter located on the Land.

First Amendment to Lease shall mean the First Amendment to Lease-Purchase Agreement, dated as of March 1, 2008, by and between the County and the Trustee.

First Supplemental Declaration of Trust shall mean the First Supplemental Declaration of Trust, dated as of March 1, 2008 by and between the Trustee and joined in by the County.

Fiscal Year shall mean the 12-month fiscal period of the County, which commences on January 1 in every year and ends on December 31 of that year.

First Amendment to Ground Lease shall mean the First Amendment to Ground Lease Agreement, dated as of December 1, 2010, between the County and the Trustee.

Ground Lease shall mean the Ground Lease Agreement, dated as of March 1, 2003, between the County and the Trustee, as amended by the First Amendment to the Ground Lease, dated as of December 1, 2010.

Interest shall mean the portion of any Lease Payment designated as and comprising interest as shown on Exhibit B to the Original, Exhibit A to the First Amendment to Lease, Exhibit A to the Second Amendment to Lease, and Exhibit A to the Third Amendment to Lease.

Land shall mean the real property described on Exhibit A to the Lease.

Lease shall mean the Lease-Purchase Agreement, dated as of March 1, 2003, as amended and supplemented by the First Amendment to Lease-Purchase Agreement, dated as of March 1, 2008 and the Second Amendment to the Lease-Purchase Agreement, dated as of December 1, 2010, and the Third Amendment to the Lease-Purchase Agreement, dated as of October 1, 2011.

Lease Payment shall mean the payment due from the County to the Trustee on each Payment Date during the term of the Lease, as shown on Exhibit B to the Lease and Exhibit A to the First Amendment to Lease, Second Amendment to Lease, and Third Amendment to Lease.

Net Proceeds shall mean any insurance proceeds paid with respect to the Facilities remaining after payment therefrom of all expenses incurred in the collection thereof.

Original Lease shall mean the Lease-Purchase Agreement, dated as of March 1, 2003, between the Trustee, as lessor, and the County, as lessee.

Outstanding shall mean the term "Outstanding," when used with reference to the Certificates and as of any particular date, means all Certificates theretofore delivered, except: (a) any Certificate canceled or fully paid by the Trustee at or before said date; (b) any Certificate in lieu of or in substitution for which another Certificate shall have been delivered pursuant to the Trust Agreement; and (c) for the sole purpose of determining the percentage of Certificate Owners consenting to an amendment of the Trust Agreement or authorizing any action by the Trustee or the exercise of any remedy hereunder, any Certificate owned by the County or any of its departments, agencies, institutions, instrumentalities or political subdivisions. For all other purposes, Certificates owned by the County or any such entity which are not described in (a) and (b) shall be treated as Outstanding hereunder.

Owner shall mean the terms "Owner," "Certificate Owner" or "Owner of Certificates" or any similar term, when used with respect to the Certificates, mean the registered owner of any Outstanding Certificate.

Payment Date shall mean the third Business Day preceding the end of May and November in each year.

Permitted Investments shall mean to the extent permitted by applicable law:

(a) (1) bonds or interest bearing notes or obligations of the United States or those for which the full faith and credit of the United States are pledged for the payment of principal and interest.

(2) Securities either directly or indirectly guaranteed by the United States.

(3) Repurchase agreements fully collateralized by securities described in (a)(l) or (2) meeting the requirements of Sections 4-5-6 and 4-5-9 South Dakota Codified Laws.

(4) Shares of an open-end, no-load fund administered by an investment company registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933 and whose only investments are in securities described in (a)(1) and (2) and repurchase agreements described in (a)(3).

(5) Time deposits and interest-bearing accounts with any institution constituting a "qualified public depository" under Chapter 4-6A, South Dakota Codified Laws.

(b) bonds or interest-bearing notes or obligations that are guaranteed as to principal and interest by a federal agency of the United States;

(c) bonds, consolidated bonds, collateral trust debentures, consolidated debentures or other obligations issued by federal land banks or federal intermediate credit banks established under the Federal Farm Loan act, as amended; debentures and consolidated debentures issued by the Central Bank for Cooperatives and banks for cooperatives established under the Farm Credit Act of 1933, as amended; bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act, stocks, bonds, debentures and other obligations of the Federal National Mortgage Association established under the National Housing Act, as amended; bonds of any federal home loan bank established under said Act, obligations of the Federal Home Loan Mortgage Corporation;

(d) direct and general obligations of any state of the United States or any municipality or political subdivision of such state, if such obligations are rated in the highest rate category by Standard & Poor's Corporation or Moody's Investors Service, Inc.;

(e) bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances, which are eligible for purchase by the Federal Reserve System;

(f) negotiable certificates of deposit issued by a nationally or state chartered bank which are fully insured by the Federal Deposit Insurance Corporation; and

(g) guaranteed investment contracts of financial institutions rated in one of the two highest rating categories by Standard & Poor's Corporation or Moody's Investors Service, Inc.

Principal shall mean the portion of any Lease Payment designated as principal in Exhibit B to the Lease.

Principal Office means the principal office of the Trustee situated in St. Paul, Minnesota, or any office so designated by a successor.

Resolution means the resolution adopted by the Board of County Commissioners of the County on August 3, 2010 relating to the issuance of the Series 2011A Certificates.

Second Amendment to Lease shall mean the Second Amendment to Lease-Purchase Agreement, dated as of December 1, 2010, by and between the County and the Trustee.

Second Supplemental Declaration of Trust shall mean the Second Supplemental Declaration of Trust, dated as of December 1, 2010 by and between the Trustee and joined in by the County.

Series 2003 Certificates shall mean collectively the Series 2003A and the Series 2003B certificates of participation prepared and delivered by the Trustee pursuant to the Original Trust Agreement

Series 2008A Certificates shall mean the certificates of participation prepared and delivered by the Trustee pursuant to the Original Trust Agreement as supplemented by the First Supplemental Declaration of Trust.

Series 2010 Certificates shall mean collectively Series 2010A, the Series 2010B, and the Series 2010C certificates of participation prepared and delivered by the Trustee pursuant to the Original Trust Agreement as amended and supplemented by the First Supplemental Declaration of Trust, and the Second Supplemental Declaration of Trust.

Third Amendment to Lease shall mean the Third Amendment to Lease-Purchase Agreement, dated as of October 1, 2011, by and between the County and the Trustee.

Third Supplemental Declaration of Trust shall mean the Third Supplemental Declaration of Trust, dated as of October 1, 2011 by and between the Trustee and joined in by the County.

Trust Agreement shall mean the Declaration of Trust, dated as of March 1, 2003, as amended and supplemented by the First Supplemental Declaration of Trust, dated as of March 1, 2008, the Second Supplemental Declaration of Trust, dated as of December 1, 2010, and the Third Supplemental Declaration of Trust dated as of October 1, 2011 by the Trustee and joined in by the County.

Underwriter shall mean Dougherty & Company LLC and its successors and assigns.

(This page has been left blank intentionally.)

APPENDIX B –
COUNTY INFORMATION

PENNINGTON COUNTY

BOARD MEMBERS EFFECTIVE SEPTEMBER 12, 2011

Ken Davis, Chair
Don Holloway, Vice Chair
Ron Buskerud, Commissioner
Lyndell Petersen, Commissioner
Nancy Trautman, Commissioner

ELECTED OFFICIALS

Julie A. Pearson, Auditor
Donna Mayer, Register of Deeds
Kevin Thom, Sheriff
Glenn Brenner, State's Attorney
Janet Sayler, Treasurer

SPECIAL SERVICES

Bond Counsel

Lindquist & Vennum P.L.L.P.
Minneapolis, Minnesota

SUMMARY OF COUNTY INFORMATION

Total Taxable Value for 2010 pay 2011	$ 7,122,185,565
Direct General Obligation Debt	0
COP Bonds	55,290,000
Lease Purchase Obligations	2,464,927
Population 2010 Census	105,121
Area Square Miles	2,776

Pennington County is located in Western South Dakota. Rapid City, the County seat, is located on I-90 and U.S. Highways 14 and 16. Pennington County was organized in 1877 and is governed by a Board of Commissioners consisting of 5 members elected by districts for 4-year terms.

Following are population figures for incorporated municipalities in the County according to the U.S. Census:

	1970	1980	1990	2000	2010
Box Elder	607	3,186	2,680	2,841	5,094
Hill City	389	535	650	780	948
Keystone	n/a	295	232	311	337
New Underwood	416	517	553	616	660
Quinn	105	80	72	44	54
Rapid City	43,836	46,692	54,523	59,607	67,956
Wall	786	542	834	818	766
Wasta	127	99	82	75	80

Employers & Pension Plans

Pennington County currently employs 639 persons. The South Dakota Retirement System administered by the State of South Dakota covers employees of Pennington County. Members' contributions and credited interest are 100% vested and may be withdrawn upon termination of employment. The County's total cost of the plan for the year ended December 31, 2010 was $1,827,215.74.

Class A members include all employees other than public safety. They are required by state statute to contribute 6% of their gross salary. The County by statute is required to match all employee contributions.

Class B members include Public Safety members that are described as deputies and adult & juvenile correctional officers. They are required to contribute 8% of their gross salary. The County by statute is required to match all employee contributions.

Additional information is contained in the "Notes to the Financial Statements" relating to the 2007, 2008, 2009 and 2010 audited financial statements set forth in APPENDIX B to this Official Statement.

Contribution Information	2007	2008	2009	2010
Total Contributions of Employee and Employer	3,160,676	3,400,238	3,513,644	3,654,430
Employer/County Contributions	1,580,338	1,700,119	1,756,822	1,827,215
Percent of Covered Payroll	50%	50%	50%	50%
Employee Contributions	1,580,338	1,700,119	1,756,822	1,527,215
Percent of Covered Payroll	50%	50%	50%	50%

Valuations

All property subject to taxation is assessed annually according to value on the first day of November proceeding the assessment year. The Director of Equalization compiles an assessment roll for each taxing district within the county. Currently assessment rolls are compiled for 6 school districts, 2 water districts, 20 civil townships, 8 cities and towns, 8 sanitary districts, 110 road districts, 2 ambulance districts, 15 fire districts, county library, county fire administration, unorganized roads and the county as a whole. The assessment roll or property valuations are reviewed and adjusted for errors and omissions by each municipality and township. Upon completion of local and county boards of equalization, the valuations are factored to an 85% median level of assessment using the preceding year's sales as a benchmark.

The table below represents the factored property value for 2010 pay 2011 taxing purposes and is levied upon by the County Auditor in mill rates or dollars per thousand of value.

Classification of Property	Factored Value
AG Out	$ 192,425,407
OO Out	12,905,70,578
M Out	8,920,083
MO Out	23,504,043
OTH Out	462,952,002
AG In	1,370,030
OO In	2,480,828,558
M In	7,869,149
MO In	20,232,779
OTH In	2,525,683,590
Utilities	107,829,346
Total All Property	$7,122,185,565

(Source: Recapitulation of Taxes Report or PT 76)

For school general fund levying purposes there are four classes of property: agricultural, non-agricultural acreages, owner occupied, and other. The general fund levies for school purposes are set in statute annually by the state legislature to compensate for both growth and inflation. Non-agricultural acreages classification was eliminated in 2010 pay 2011 tax cycle. Agricultural land values will be derived from soil surveys from that point forward with varying effects on value across the state.

Historical full & true value and taxable values including tax increment values - 5 year History:

Tax Year	Full & True Real Property Value	Taxable Percentage	Taxable Value Real Property	Plus Utilities	Total Taxable Value
2010	$7,014,356,219	100%	$7,014,356,219	$107,829,346	$7,122,185,565
2009	6,749,628,981	100%	6,749,628,981	130,674,714	6,880,303,695
2008	6,514,713,910	100%	6,514,713,910	135,360,388	6,650,074,298
2007	6,085,662,942	100%	6,085,662,942	135,239,397	6,220,902,339
2006	5,684,183,819	100%	5,684,183,819	154,025,435	5,838,209,254
2005	5,111,448,991	100%	5,111,448,991	158,253,803	5,269,702,794

(Source: PT76 annual recapitulation of taxes report

County Consolidated Tax Dollars Levied 5 year History

Year	County General	County Fair	Accumulated Building
2010	$27,830,772	$479,954	$3,530,622
2009	28,257,732	538,120	2,588,103
2008	27,356,875	567,308	1,827,994
2007	25,347,336	420,453	1,681,814
2006	22,173,952	949,759	2,751,969

Source: BUD040 Report – annual tax levy verification report figures rounded to the nearest dollar

Largest Taxpayers: 2010 pay 2011 tax year:

Property Owner	Type of Business	Value	Percent of Total Taxable Value
SM Rushmore Mall	Retail Mall	$ 42,221,617	0.59
Midland Rushmore LLC	Retail	17,129,425	0.24
Rushmore Plaza	Hotel	14,009,696	0.19
Wal-Mart	Retail	13,682,072	0.19
Stoney Creek Assoc.	Apt Complex	13,498,272	0.19
Regency Midwest Ventures LTD	Hotel	11,161,531	0.15
Black Hills Surgery Center	Medical	10,974,055	0.15
Perkins Delaware	Retail Mall	10,709,475	0.15
Hetherington Flormann	Medical	10,402,988	0.14
Stdg III Rapid City LLC.	Financial Center	10,161,108	0.14
Harmony Heights Assoc LLP	Apt Complex	10,123,704	0.14
Rushmore Cedar, LLC	Office Bldg.	9,923,638	0.13
Physicians Real Estate LLP	Medical	9,842,398	0.13
Menards Inc	Retail	9,738,460	0.13
Lowes Home Center	Retail	9,515,969	0.13
Total		$203,094,408	2.79%

(Source IT list date 12/30/10

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1st of each year. Taxes are levied and are due and payable in two equal installments first half is due on or before April 30th and second half is due on or before October 31st of each year.

The Pennington County Treasurer is responsible for collection of all taxes that are included on the tax list. Once collected, the County Auditor apportions the money and credits the appropriate fund. The County Auditor is mandated to remit all collections to the appropriate taxing entity by the 20th of the month following collection.

Mill Rates or Dollars per Thousand of Value
5 year History of the Owner Occupied Levy for the majority of the City of Rapid City - 4/D RC

Levy Year	Taxable Percentage	County Consolidated	Rapid City School Dist	Water Dist	City of Rapid City	Total Mill Levy
2010	100%	4.843	9.011	.027	3.002	16.877
2009	100%	4.899	9.247	.027	3.025	17.198
2008	100%	4.72	9.06	.03	2.99	16.80
2007	100%	4.57	9.14	.03	2.96	16.70
2006	100%	4.5471	9.6045	.0281	2.9680	17.1477

Source: Tax Levy Report or Bud060

Tax Collections – County General

	Collected in First Year			Collected as of Dec 31, 2010	
Tax Year	Original Levied Dollars	Amount Collected	Percentage	Amount Collected	Percentage
2009 pay 2010	28,306,869	27,934,424	98.68	27,934,424	98.68
2008 pay 2009	27,384,809	26,870,436	98.12	27,230,445	99.43
2007 pay 2008	25,384,576	25,268,811	99.54	25,332,771	99.79
2006 pay 2007	22,214,663	22,159,124	99.75	22,197,601	99.92
2005 pay 2006	22,050,694	22,024,354	99.88	22,048,704	99.99

Source: TAR030 & 040

Indirect Debt – General Obligation

	Percent of Districts Taxable 2010 Value in Pennington County	Debt Outstanding 12/31/2010	Dollars Applicable to Pennington County
Pennington County	100.00%		
Municipalities:			
Box Elder	77.60	$7,932,451	$6,155,582
Hill City	100.00	--	--
Keystone	100.00	704,922	704,922
New Underwood	100.00	--	--
Quinn	100.00	--	--
Rapid City	100.00	595,000	595,000
Wasta	100.00	--	--
Wall	100.00	438,199	438,199
School Districts:			
Custer	5.91	15,425,000	911,618
Douglas	76.45	--	--
Hill City	100.00	6,335,000	6,335,000
New Underwood	99.80	565,000	563,870
Rapid City	95.25	50,500,000	48,101,250
Wall	99.98	670,000	669,866

(Source: Buc040 & PT93A)

Debt Limit

The total indebtedness of Pennington County may not exceed 5% of the actual assessed value of property within the county.

2010 Total Values Including utilities	$7,122,185,565
Percentage allowed by law	5%
Maximum debt limit	356,109,278
Less:	
Direct General Obligation Debt	--
Certificates of Participation	55,855,000
Lease Purchase Obligations	2,464,927
Available Margin	$297,789,351

(Source: Bud040 & 2009 financials long term debt schedule)

Debt Ratios

	Amount	Per Capita	Percent of Full & True Value
Direct General Obligation Debt	0	0	0.0%
Indirect General Obligation Debt	$58,319,927	555	0.8

Based on the 2000 census population of 88,565

Pennington County Revenues - 5 year History

Fund	2006	2007	2008	2009	2010
Accumulated Building	$2,188,883	$2,940,680	$1,862,521	$1,936,728	$2,714,613
Capital Projects	165,039	17,571	69,354	7,572	0
County Fair	Included in	957,877	436,511	570,367	546,492
County Fire	273,165	264,688	276,938	302,311	267,494
Domestic Abuse	41,552	42,697	44,458	40,238	43,219
Drug Seizure	11,642	74,089	37,968	67,482	37,254
E911 Dispatch	972,305	939,109	974,300	952,549	979,417
EMMA & Homeland Security	996,622	1,061,850	866,870	1,051,259	899,980
General	36,908,454	39,242,863	41,994,456	45,866,349	46,055,996
Hazardous Materials	15,929	8,829	12,033	8,418	7,686
Health Care Trust	2,785,078	3,481,612	3,551,328	4,418,549	4,296,586
Library	365,862	391,683	400,002	412,736	429,945
Road & Bridge	6,909,958	6,197,383	6,873,600	6,463,367	6,585,495
Tax Increment Districts	494,452	39,211	23,260	37,559	55,192
Title 3	212,888	322,776	108,512	91,077	79,356
24/7					312,676

(Source: audited financial reports RSI

Pennington County Expenditures 5 year History

Fund	2006	2007	2008	2009	2010
Accumulated Building	$1,804,024	$1,098,542	$1,489,395	$3,567,579	$4,654,277
Capital Projects	1,789,250	386,038	4,029,022	1,905,787	203,283
County Fair	Included in	852,706	523,085	554,382	526,216
County Fire	189,932	184,807	303,731	256,519	274,554
Domestic Abuse	41,135	42,185	44,165	40,125	43,140
Drug Seizure	49,071	66,281	78,892	78,381	73,221
E911 Dispatch	995,303	1,383,610	821,370	767,769	889,356
EMMA & Homeland	1,059,327	1,057,816	789,678	1,045,062	972,619
General	38,019,286	37,510,492	39,734,146	42,074,782	42,688,141
Hazardous Materials	13,232	29,263	4,282	10,841	2,997
Health Care Trust	2,848,177	4,069,518	4,322,512	4,407,649	4,172,099
Library	329,561	380,635	398,094	444,161	476,520
Road & Bridge	8,213,891	7,698,826	7,191,543	7,728,763	10,200,838
Tax Increment Districts	498,397	39,211	23,260	226,928	90,628
Title 3	23,146	29,625	57,975	20,995	35,495
24/7					325,677

(Source: audited financial reports RSI)

Year End Fund Balances:

Fund	2006	2007	2008	2009	2010
Accumulated Building	$1,317,095	$2,159,232	$2,803,206	$1,172,355	$1,822,131
Capital Projects	771,775	1,403,308	3,012,792	1,114,578	37,415,072
County Fair	in general	91,474	69,304	130,066	229,859
County Fire	240,310	300,349	263,734	304,750	295,091
Domestic Abuse	0	0	0	0	0
Drug Seizure	123,536	122,255	78,691	66,777	30,535
E911 Dispatch	649,568	205,067	357,998	542,778	632,840
EMMA & Homeland	227,785	273,299	403,131	469,506	459,147
General	11,712,324	11,594,131	12,231,152	14,595,640	14,448,407
Hazardous Materials	26,874	4,648	11,886	9,313	18,883
Health Care Trust	1,347,570	832,674	93,644	113,308	240,766
Library	198,924	192,306	187,984	134,189	106,669
Road & Bridge	8,381,428	9,104,728	10,359,621	11,505,964	10,191,006
Title 3	393,779	644,686	613,126	673,957	712,207
24-7					191,903

(Source: audited financial reports – RSI & R&E Prop)

Pennington County is required by state law to be audited annually by the Department of Legislative Audit. Audits have been completed through December 31, 2010.

Basis of Accounting

All governmental funds and expendable trust funds are accounted for using the modified accrual basis of accounting. Pennington County's records are maintained in accordance with GAAP.

Population and Area

The total land area of Pennington County is approximately 2,776 square miles. Population figures for Pennington County and Rapid City are given below:

Jurisdiction	1990 US Census	2000 US Census	2010 US Census
Pennington County	81,343	88,565	100,948
Rapid City	54,523	59,607	67,956

Income Statistics

	Pennington County		State of South Dakota	
	2008	2009	2008	2009
Median Income Per Household	46,887	46,972	46,244	45,048
Average Earnings per job	32,422	32,893	32,821	33,347

Source: SD Dept of Labor – Labor Market Statistics: dir.sd.gov

Labor Statistics 5 year History

Year	Pennington County Average Annual Civilian Labor Force	Average Unemployment for Pennington County	Average Unemployment for the State of South Dakota
2010	54,745	4.1%	4.8%
2009	55,080	4.4	5.0
2008	46,491	2.9	3.0
2007	45,689	2.7	3.0
2006	51,658	3.1	3.2
2005	50,981	3.7	3.9
2004	52,373	3.3	3.8

Source: SD Dept of Labor – Labor Market Statistics: dir.sd.gov

Employment by Industry

	Pennington County		State of South Dakota	
	2009	2010	2009	2010
Construction	3,906	3,604	20,842	20,111
Education/Health	8,622	8,771	58,113	59,378
Financial Activities	3,425	3,328	30,070	28,401
Government Entity	7,229	7,405	71,495	72,466
Information	926	918	6,701	6,542
Leisure/Hospitality	7,638	7,759	42,906	43,000
Manufacturing	2,466	2,230	37,707	36,960
Mining / Natural	164	157	4,770	4,953
Other Services	2,061	1,976	10,366	10,283
Professional /	4,067	4,339	26,704	27,538
Trade,	11,866	11,389	79,237	79,566

Source: SD Governor's Office of Economic Development: www.sdreadytowork.com

Major Employers

Employer	Product/Business	Number of Employees
Ellsworth Air Force Base	Military	4,503
Rapid City Regional Hospital	Health Care	3,281
Federal Government	Government	2,905
Black Hills Corp	Holdings Company	555
Rapid City School District	Education	1,684
City of Rapid City	Government	1,684
State of South Dakota	Government	1,125
SD National Guard	Government	1,013
Wal-Mart/Sam's Club	Retail/Wholesale	888
Pennington County	Government	639

Source: SD Governor's Office of Economic Development: www.sdreadytowork.com

Area Growth and Development

The real estate market in Pennington County is stable to increasing. Construction projects of all types of property are underway, and demand appears good.

The average sale price of residential property in Pennington County for the first half of 2011 was very similar to the previous year with a slight increase, but significantly higher than 4 to 5 years ago. Average listing days on the market is nearly unchanged over the last 3 years. Numbers of properties sold in Pennington County have decreased since 2008, but the first half of 2011 shows a stable to only slight decrease in numbers sold over the first half of 2010.

Construction of new homes continues across the county. A slight over-supply of new construction from the previous 2 to 3 years is leveling, with signs of increased construction. The current supply of homes appears to be equal to available demand.

Commercial construction projects continue, with several of significant size. Many new commercial properties have been built as rental investments, and many are owned by businesses new to the area.

Building Permits 5 year History

Year	Residential Permits	Value	Commercial Permits #	Value
2010	182	$32,679,324	32	$30,141,903
2009	208	40,260,225	45	39,030,280
2008	378	49,640,988	206	51,976,480
2007	548	92,268,336	216	77,177,565
2006	634	96,119,241	201	59,257,094

Source: RC Growth Mgmt/Penn County Planning

Medical

Rapid City is a major medical care center for a five-state region, centered at the Rapid City Regional Hospital and the Indian Health Service Sioux San Hospital. Other smaller, independent medical facilities in the area include the Black Hills Surgery Center, The Heart Doctors, The Spine Center, Setliff Sinus Institute, Black Hills Eye Institute, and Regional Behavioral Healthcare. The following are some of the services provided: Acute Renal Dialysis, Neonatal Nursery Alcohol and Drug, Obstetrics, Cancer Care, Open Heart Surgery, Coronary Care, Outpatient Surgery, Emergency Department, Pediatric, Home Care Unit, Psychiatric, Hospice, Radiology Therapy, Impatient Surgery, Rehabilitation, Intensive Care Unit.

In addition, there are 18 long-term care and assisted living facilities in the area that have approximately 850 beds.

Source: Wikepedia.org; local facilities

Banking

Banking and financial institutions are available to area residents in Rapid City. Major banking institutions are: Wells Fargo, First Western Bank, US Bank National Association and Pioneer Bank and Trust. There are also several smaller banks and many Credit Unions serving the County. Year ending bank deposits are listed below for those institutions where balances could be obtained for the County branches.

Bank	2006	2007	2008	2009	2010
First Interstate	$288,184	$333,834	$308,689	$193,657	$288,273
Great Western	211,965	210,532	213,796	225,759	245,185
Pioneer Bank &	123,138	134,860	156,539	148,268	168,749
US Bank	247,635	255,130	254,442	257,725	269,385
Wells Fargo	325,141	318,330	312,742	318,458	371,070

*Formerly First Western Bank

(Deposits listed in Millions) Source: FDIC Financial Reports

Education

The largest K-12 district in the County is Rapid City School District which operates 16 Elementary Schools, 5 Middle Schools and 2 Senior High Schools and 1 alternative High School Academy. The District employs 1,101.2 certified personnel and has total enrollment figures as follows for fall 2010:

Grade	Number of Students	Certified Staff
K-5	6,331	
6-8	2,992	
9-12	3,957	
Total	13,280	1,101.2

Pennington County also has five other school districts serving area residents.

School System	Number of Students	Certified Staff
Custer School District	890	87
Douglas School District	2,520	199
Hill City School District	500	47
New Underwood School District	278	25
Wall School District	228	28

Private and parochial education is also available at 12 schools.

Black Hills Children's Home (Special Education)
Calvary Christian School
Children's House Montessori School
Life Tree Montessori School
Memorial Christian School
Rapid City Christian School
Rapid City Seventh-Day Adventist School
St Elizabeth Seton School
St Paul's Lutheran School
St. Thomas More High School
Zion Lutheran School

Post-secondary education is available at the following schools:

Black Hills State University
Black Hills Beauty College
Black Hills Indian Bible College
Embry-Riddle Aeronautical University
Headlines Academy, Inc.
New Horizons
Oglala Lakota College
National American University
Rapid City Regional Hospital
South Dakota School of Mines and Technology
South Dakota State University
University of South Dakota
West River Graduate Center
Western Dakota Vocational Technical School

Source: All School Districts and Rapid City Chamber of Commerce

(This page has been left blank intentionally.)

APPENDIX C –
AUDITED FINANCIALS FOR 2010

PENNINGTON COUNTY, SOUTH DAKOTA

(this page has been left blank intentionally)

PENNINGTON COUNTY

AUDIT REPORT

For the Year Ended December 31, 2010

PENNINGTON COUNTY
COUNTY OFFICIALS
December 31, 2010

Board of Commissioners:
Ethan Schmidt, Chairman
Nancy Trautman, Vice-Chairman
Brenda Young
Dee Glassgow
Gale Holbrook

Auditor:
Julie Pearson

Treasurer:
Janet Saylor

State's Attorney:
Glenn Brenner

Register of Deeds:
Donna Mayer

Sheriff:
Don Holloway

PENNINGTON COUNTY
TABLE OF CONTENTS

Page

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards 1

Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 3

Schedule of Prior Audit Findings 5

Schedule of Current Audit Findings and Questioned Costs 5

Independent Auditor's Report 6

2010 Management's Discussion and Analysis (MD&A) 8

Basic Financial Statements

Government-wide Financial Statements:

As of December 31, 2010:

Statement of Net Assets 15

For the Year Ended December 31, 2010:

Statement of Activities 17

Fund Financial Statements:

Governmental Funds

As of December 31, 2010:

Balance Sheet 18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets 19

For the Year Ended December 31, 2010:

Statement of Revenues, Expenditures and Changes in Fund Balances 20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities 24

Proprietary Funds

As of December 31, 2010:

Statement of Net Assets 25

For the Year Ended December 31, 2010:

Statement of Revenues, Expenses and Changes in Fund Net Assets 26
Statement of Cash Flows 27

Fiduciary Funds

As of December 31, 2010:

Statement of Fiduciary Net Assets 28

Notes to the Financial Statements 29

Required Supplementary Information Other than MD&A:

For the Year Ended December 31, 2010:

Budgetary Comparison Schedule--Budgetary Basis--General Fund 48
Budgetary Comparison Schedule--Budgetary Basis--Road and Bridge Fund 51

Notes to the Required Supplementary Information 52

Supplementary Information:

Schedule of Expenditures of Federal Awards 53

Schedule of Revenues and Expenditures--Regional Juvenile Service Center 56

427 SOUTH CHAPELLE
C/O 500 EAST CAPITOL
PIERRE SD 57501-5070
(605)773-3595
FAX(605)773-6454

MARTIN L. GUINDON, CPA
AUDITOR GENERAL

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

County Commission
Pennington County
Rapid City, South Dakota

We have audited the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Pennington County, South Dakota (County), as of December 31, 2010 and for the year then ended which collectively comprise the County's basic financial statements and have issued our report thereon dated August 2, 2011.

Other auditors audited the financial statements of the Pennington County Housing and Redevelopment Commission, a discretely presented component unit, as described in our report on County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County in a separate letter dated August 2, 2011.

This report is intended solely for the information and use of federal awarding agencies and pass-through entities, the South Dakota Legislature, state granting agencies, and the governing board and management of Pennington County, South Dakota and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11 and OMB Circular A-133 §__.320, this report is matter of public record and its distribution is not limited.

Martin L. Guindon, CPA
Auditor General

August 2, 2011

427 SOUTH CHAPELLE
C/O 500 EAST CAPITOL
PIERRE SD 57501-5070
(605)773-3595
FAX(605)773-6454

MARTIN L. GUINDON, CPA
AUDITOR GENERAL

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Independent Auditor's Report

County Commission
Pennington County
Rapid City, South Dakota

Compliance
We have audited Pennington County, South Dakota (County), compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2010. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Pennington County, South Dakota complied, in all *material* respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance
The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the

purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of federal awarding agencies and pass-through entities, the South Dakota Legislature, state granting agencies, the governing board and management of Pennington County, South Dakota and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11 and OMB Circular A-133 §__.320, this report is matter of public record and its distribution is not limited.

Martin L. Guindon, CPA
Auditor General

August 2, 2011

PENNINGTON COUNTY
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Audit Findings:

The prior audit report contained no written audit findings.

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

Current Audit Findings:

Summary of the Independent Auditor's Results:

Financial Statements

a. An unqualified opinion was issued on the financial statements of each opinion unit.

b. No material weaknesses or significant deficiencies were disclosed by our audit of the financial statements.

c. Our audit did not disclose any noncompliance which was material to the financial statements.

Federal Awards

d. An unqualified opinion was issued on compliance with the requirements applicable to major programs.

e. Our audit did not disclose any findings that need to be disclosed in accordance with the Office of Management and Budget Circular A-133, Section .510(a).

f. The federal awards tested as major programs were:

1. Homeland Security Cluster
2. Payment In Lieu of Taxes CFDA # 15.226

g. The dollar threshold used to distinguish between Type A and Type B federal award programs was $300,000.

h. Pennington County did qualify as a low-risk auditee.

Current Federal Audit Findings:

There are no written current federal compliance audit findings to report.

Current Other Audit Findings:

There are no written current other audit findings to report.

STATE OF SOUTH DAKOTA
DEPARTMENT OF LEGISLATIVE AUDIT

427 SOUTH CHAPELLE
C/O 500 EAST CAPITOL
PIERRE SD 57501-5070
(605) 773-3595
FAX (605) 773-6454

MARTIN L. GUINDON, CPA
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

County Commission
Pennington County
Rapid City, South Dakota

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Pennington County, South Dakota (County), as of December 31, 2010 and for the year then ended, which collectively comprise the County's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the discretely presented component unit is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Pennington County, South Dakota as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2011 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over

financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (MD&A) and Budgetary Comparison Schedules on pages 8 through 15, and 48 through 51 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The Schedule of Expenditures of Federal Awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Schedule of Revenues and Expenditures, Regional Juvenile Service Center listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Martin L. Guindon, CPA
Auditor General

August 2, 2011

PENNINGTON COUNTY'S
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR CALENDAR YEAR ENDING DECEMBER 31, 2010

This section of Pennington County's annual financial report presents our discussion of Pennington County's financial performance during the fiscal year ended December 31, 2010. Please read it in conjunction with Pennington County's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Program revenues made up 37% of Pennington County's total revenues with the other 63% derived from general revenues. The amount of total program revenues is down from last year by 4%.
- Program Revenues – charges for services remained consistent for all government activity types in General Government comprising 12%, Public Safety at 81% and the remaining 7% distributed between Public Works, Health & Welfare, Conservation of Natural resources and Urban & Economic Development.
- Program revenue – operating grants for all functions was down by 12% from 2009. Operating Grant revenues decreased 42% in Public Safety primarily due to loss of several grants including the highway safety grant, fatal crash team grant, and the law enforcement equipment grant. General Government and Public Works operating grant totals stayed consistent. There is a new grant that covers a 3 year period totaling $394,050 under Conservation and Natural Resources for water conservation.
- Pennington County's General Fund annual approved budget increased from 2009 to 2010 by 8.5% consistent with last years increase. Public Safety was 57% of the 2010 approved budget; General Government at 26%; Public Works at 7%; Health & Welfare at 5%; Debt Service at 2% with all others totaling 7%.
- Fund Balance in the General Fund decreased by $147,233.08, which is 1%. This is the first decrease since 2007.
- Fund Balance in the Road & Bridge decreased by $1,431,327.19 or 11.5%. Inventory balance increased by $118,369.27. Reserves established over several years in the Road & Bridge fund are now being used for major road renovations and equipment purchases over the next 4 to 5 years.
- Fund Balance in the new Pennington County Courthouse Complex Expansion (PCCCE) capital projects fund is $37,237,995.39. This fund is comprised of bond proceeds for future building project s as approved by the governing board in a Master Plan document. Future plans include a county administration building, additional levels to the parking ramp, a combined city/county evidence building, a campus energy plant and remodel to the existing courthouse.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of Pennington County:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about Pennington County's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of Pennington County government, reporting Pennington County's operations in more detail than the government-wide statements.
  - The governmental funds statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
  - Fiduciary fund statements provide information about the financial relationships in which Pennington County acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information (RSI) that further explains and supports the information in the financial statements.

Table A-1 summarizes the major features of Pennington County's financial statements, including the portion of Pennington County government covered and the types of information contained. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Table A-1
Major Features of Pennington County's Government-wide and Fund Financial Statements

	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds & component units)	The activities of Pennington County that are not proprietary or fiduciary, such as public safety and roads	The activities Pennington County operates similar to private business	Instances in which Pennington County is the trustee or agent for someone else's resources
Required Financial Statements	*Statement of Net Assets *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Balance Sheet *Statement of Revenues, Expenses and Changes in Fund Net Assets *Statement of Cash Flows	*Statement of Fiduciary Net Assets
Accounting Basis & Measurement Focus	Accrual accounting & economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting & economic resources focus
Type of Asset/Liability Information	All assets & Liabilities, both financial and capital, and short & long-term	Only assets expected to be consumed and liabilities that come due during the year or soon thereafter. No capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term included	All assets & liabilities, both short-term & long-term, the County's funds do not currently contain capital assets although they may
Type of Inflow/Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Statements
The government-wide statements report information about Pennington County as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of Pennington County's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report Pennington County's net assets and how they have changed. Net assets – the difference between Pennington County's assets and liabilities – are one way to measure Pennington County's financial health or position.

- Over time, increases or decreases in Pennington County's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of Pennington County you need to consider additional nonfinancial factors such as changes in Pennington County's property tax base and the conditions of Pennington County's roads and infrastructure.

The government-wide financial statements of Pennington County are reported in two categories:

- Governmental Activities – This category includes Pennington County's basic service, such as general government services, public safety department, public works department, health and welfare services, culture and recreation services, conservation and natural resources services, urban and economic development programs and payments to local educational agencies. Property taxes, state shared revenues, federal grants and interest earnings finance most of these activities.
- Component Units – The County includes one other entity in its report. The Pennington County Housing and Redevelopment Commission. Although legally separate, this "component unit" is important because the County Commission appoints all board members and retains the statutory authority to approve, deny or otherwise modify the Housing and Redevelopment Commission's plans to construct a low-income housing unit or to issue debt. This gives the County Commission the ability to impose its will on the Housing and Redevelopment Commission. Separately issued financial statement of the Housing and Redevelopment Commission may be obtained from the Housing and Redevelopment Commission, 1805 West Fulton Street, Rapid City, SD 57702-4358.

Fund Financial Statements
The fund financial statements provide more detailed information about Pennington County's most significant funds – not Pennington County as a whole. Funds are accounting devices that Pennington County uses to keep track of specific sources of funding and spending for particular purposes.

- State law requires the majority of the funds.
- Other funds are established, as needed, to control, manage, and reserve money for particular purposes.

Pennington County has three kinds of funds:

- Governmental Funds – Most of Pennington County's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance Pennington County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information following the governmental funds statements that explains the relationship or differences between them.

- Proprietary Funds – Services for which Pennington County charges participants a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
  - Pennington County has an internal service fund that report the activities related to providing self-insurance for health coverage to its employees.
- Fiduciary Funds – Pennington County is the trustee, or fiduciary, for various external and internal parties. Pennington County is responsible for ensuring that the assets reported in these funds are transmitted to the intended payee. All of Pennington County's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from Pennington County's government-wide financial statements because Pennington County cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF PENNINGTON COUNTY AS A WHOLE

Net Assets
Pennington County has $112,728,557.45 invested in Net Assets, which is a combination of restricted and unrestricted assets. This is an increase of $6,215,419.62 over 2009's balance. Total Assets increased by $42,585,345.61 with the largest gain in cash from bonds and an increase in capital assets that includes the purchase of nearly $3,000,000 in property to the east of the current complex. This is the PCCCE project for a new county administration building, combined evidence building and campus energy plant. There was also $2,823,975 in equipment purchases in the road and bridge fund. Pennington County capitalizes assets at $5,000 or more. Liabilities increased by $36,369,925.99 which is an increase in non-current liabilities over 1 year because Pennington County issued $37,915,000 in bonds to implement Pennington County's Board of Commission master plan.

Pennington County reports no Business-Type Activities but does report separately one component unit-Pennington County Housing and Redevelopment Commission.

Government-Wide Governmental Activities	2010	2009
Current and Other Assets	$68,741,880.57	$33,427,815.26
Capital Assets	$107,433,266.74	$100,166,981.80
Total Assets	$176,175,147.31	$133,589,801.70
Other Liabilities	$1,359,170.35	$1,674,145.77
Long-term Debt Outstanding	$62,087,419.51	$25,402,518.10
Total Liabilities	$63,446,589.86	$27,076,663.87
Net Assets:		
Investment in Capital Assets Net of Related Debt	$86,916,334.66	$78,496,872.45
Restricted	$14,757,478.18	$16,050,854.18
Unrestricted	$11,054,744.61	$11,965,411.20
Total Net Assets	$112,728,557.45	$106,513,137.83
Beginning Net Assets	$106,513,137.83	$102,796,016.66
Increase (Decrease) in Net Assets from Statement of	$6,215,419.62	$2,585,830.58
Prior Period Adjustment for Capital Assets	$0	$609,808.37
Prior Period Adjustment for SDPAA	$0	$521,482.22
Net Change in Net Assets	$6,215,419.62	$3,717,121.17
Percentage of Increase (Decrease) in Net Assets	5.5%	3.62%

This is the report of all activities on the accrual basis of accounting with a comparison between 2009and 2010. The Statement of Net Assets reports all financial and capital resources. This statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of Pennington County are for leave liability and bond debt. The difference between Pennington County's assets and liabilities is its net assets.

Changes in Net Assets

Pennington County's revenues totaled $58,904,216.94 (See Table A-2.) Over 59% of Pennington County's total revenue comes from property and other taxes equating to 59 cents of every dollar collected. (See Table A-2.) Another 25% of total revenues come from charges for goods and services, showing that Pennington County attempts to recover some of its expenses of specialized services; 12% of the total revenues come from state and federal grants while the remaining 4% of revenue is general interest, state shared and miscellaneous in nature. The percentages varied when compared to last year but the most significant decrease was in operating grants. Interest income was down for the third year, only comprising less than .5% of total revenues. The county usually holds a surplus auction each year for the sale vehicles and equipment. No auction was held in 2010 resulting in an 87% reduction in miscellaneous revenues.

The total cost of all programs and services varied this past year with an increase in General Government of 7.7% and Public Safety of .8%. Culture and Recreation was down in 2010 due to a onetime $1,000,000 donation made in 2009 to build a new combined state, county, city and school library. Pennington County's total budget increased from 2009 to 2010 by 5.7%. Pennington County's expenses cover a wide range of services and a multifaceted building project to address space needs including providing the statutory building needs of the state judicial system. In addition, Pennington County acts as a regional facility center for incarceration and prisoner transport of adults and juveniles, adult long and short term detoxification programs and a centralized Dispatch Center, thus inflating our percentages and dollars spent in the law enforcement area. (See Table A-2)

GOVERNMENTAL ACTIVITIES

Table A-2 and the narrative that follows review the operations of the governmental activities as reported on the County's Statement of Activities.

Total revenues for Pennington County's government activities decreased by 4.33% overall with total expenses decreasing by 5.64% creating a 5.5% increase in net assets.

Table A-2
Pennington County Change in Net Assets

	2010 Total	2009 Total	Percentage Change
Revenues:			
Program Revenues			
Charges for Goods & Services	$14,719,734.27	$14,747,766.28	(.2%)
Operating Grants & Contributions	$7,012,346.68	$7,969,004.27	(12%)
General Revenues:			
Taxes	$35,033,520.68	$33,221,640.23	5.2%
State Shared Revenues	$849,983.44	$855,020.85	(.6%)
Grants & Contributions Unrestricted	$1,027,281.66	$811,771.75	26.0%
Unrestricted Investment Earnings	$214,054.32	$439,040.15	(51.2%)
Miscellaneous	$47,295.89	$382,562.71	(87%)
Total Revenues	$58,904,216.94	$58,426,806.24	1%
Expenses:			
General Government	$13,881,348.41	$12,880,445.99	7.7%
Public Safety	$29,285,324.01	$29,113,930.98	.6%
Public Works	$3,811,992.76	$7,853,690.87	(51%)
Health & Welfare	$2,391,064.95	$2,121,790.20	12.7%
Culture & Recreation	$726,286.00	$1,753,337.58	(59%)
Conservation of Natural Resources	$552,044.58	$527,777.11	4.4%
Urban & Economic Development	$689,449.38	$604,307.69	14%
Interest on Long term debt	$1,351,287.23	$985,695.24	37%
Total Expenses	$52,688,797.32	$55,840,975.66	(5.7%)
Increase (Decrease) In Net Assets	$6,215,419.62	$2,585,830.58	140%
Prior Period Adjustment	0.	$1,131,290.59	(100%)
Ending Net Assets	$112,728,557.45	$106,513,137.83	5.51%

FINANCIAL ANALYSIS OF PENNINGTON COUNTY'S FUNDS

The financial analysis of Pennington County's funds mirror those highlighted in the analysis of governmental activities presented in Table A-2. The General Fund had a decrease of $147,233.08. One million of this was budgeted and transferred to the Accumulated Building Fund in 2010 for future undesignated county structures which have now been determined; in addition the 24-7 fund was removed from the general fund to its own special revenue fund in accordance with SDCL.

The Road & Bridge Fund decreased its fund balance in 2010 by $1,314,857.92, which is an 11.4% decrease. Over the past several years, the Road & Bridge fund has accumulated monies for future road projects and major equipment purchases. In 2010 nearly $3 million was spent on equipment purchases. The Board of Commissioners approves a 5 year construction plan each year prior to the budgeting process.

The Law Enforcement Capital Project Fund is now complete and so the remaining fund balance of $1,115,717.20 was moved to the Accumulated Building Fund where the funds originated. In addition, to implement the County's approved Master Plan to remove county functions from existing structures being taken over by the State Court system, the PCCCE capital projects fund was established. In South Dakota it is the County's responsibility by law to provide buildings and furnishings to support the state

Judicial system. The funding source was a $37,915,000 bond issue comprised of Certificates of Participation, Build America Bonds and Recovery Zone Bonds issued in late 2010. Major construction will start in 2011 on the parking ramp, followed first by a City/County evidence building, next an energy plant and a new county administration building to be completed by the end of 2013.

Pennington County did make the following operating transfers between the governmental funds:

Table A-3

Transfers From Fund	General Fund	County Road & Bridge Fund	Total Other Governmental Funds	Grand Totals
General Fund		2,255,744.70	1,353,513.70	3,609,258.40
County Road & Bridge Fund	71,728.80			71,728.80
Other Governmental Funds	16,440.73			16,440.73
Capital Projects Funds			1,115,717.20	1,115,717.20
Totals	88,169.53	2,255,744.70	2,469,230.90	4,813,145.13

BUDGETARY HIGHLIGHTS

Over the course of the year, the Pennington County Commission revised the budget several times. These amendments fall into the following categories:

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for its' citizens.
- Increases in appropriations, supported by contingency transfers and supplements, to prevent budget overruns.

When preparing its budget, Pennington County is conservative in estimating revenues causing a number of supplements from unknown revenues or unverified grants.

CAPITAL ASSET ADMINISTRATION

By the end of 2010 Pennington County had an invested net of depreciation totaling $107,433,266.74 in a broad range of capital assets, including land and improvements, buildings, law enforcement equipment, highway maintenance equipment and other business equipment as well as infrastructure including the county road & bridges system. (See Table A-4.)

Table A-4
Pennington County – Capital Assets
(Net of Depreciation)

	Total Government Activities 2010	Total Government Activities 2009	Total Dollar Change	Total Percentage Change
Land	3,218,648.00	1,095,308.000	2,123,340.00	194%
Construction in Progress	159,523.00	0.	159,523.00	100%
Infrastructure	40,461,815.74	36,338,824.80	4,122,990.94	11.3%
Buildings	50,597,251.00	51,815,493.00	(1,218,242.00)	(2.35%)
Machinery & Equipment	12,996,029.00	10,917,356.00	2,078,673.00	19%
Total Capital Assets	107,433,266.74	100,166,981.80	7,266,284.94	7.3%

LONG-TERM DEBT

Pennington County currently has $62,087,419.51 in outstanding bonds, lease purchases and other long-term liabilities with $3,283,189.09 of that due within one year. The newest bond issue to fund future building needs for Pennington County is comprised of $2,550,000 in Certificates of Participation (COP), $27,435,000 in Build America Bonds (BAB), and $7,930,000 in Recovery Zone (RZ) bonds. The BAB and RZ bonds were both issued with federal interest rebates. The BAB interest rebate over 27 year period is $10,780,869 and the RZ interest rebate over 30 year period is $7,399,757.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Pennington County increased its total real property valuation from 2009 to 2010 tax year by $241,828,594 or 3.39% over the last year. Under the current taxing statutes, Pennington County can only increase its' dollar amount of taxes by a combined percent of new construction values and a specific CPI that is capped at 3%. For 2009 taxes payable in 2010, Pennington County Consolidated (County General, County Fair and Accumulated Building Funds) increased its taxes levied by $1,640,043.09 or a 5.5% increase. This real property increase is down slightly by less than 1% for new construction property value in the previous tax year.

CONTACTING PENNINGTON COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of Pennington County's finances and to demonstrate Pennington County's accountability for the money it receives. If you have questions about this report or need additional information, contact Julie A. Pearson, Pennington County Auditor, 315 St. Joseph St, Rapid City, SD 57701.

PENNINGTON COUNTY
STATEMENT OF NET ASSETS
December 31, 2010

	Primary Government Governmental Activities	Component Unit
ASSETS:		
Cash and Cash Equivalents	$ 58,029,382.00	$ 2,323,288.00
Investments	4,590,417.61	93,262.00
Accounts Receivable, Net	4,466,897.87	384,741.00
Inventories	1,133,700.67	26,119.00
Other Assets	521,482.22	77,283.00
Restricted Assets:		
Investments		5,899,313.00
Capital Assets:		
Land, Improvements and Construction in Progress	3,378,171.00	1,879,446.00
Other Capital Assets, Net of Depreciation	104,055,095.74	11,120,443.00
TOTAL ASSETS	$ 176,175,147.31	$ 21,903,895.00
LIABILITIES:		
Accounts Payable	$ 1,905,570.33	$ 347,837.00
Deferred Revenue	353,600.02	26,979.00
Other Current Liabilities		159,470.00
Noncurrent Liabilities:		
Due Within One Year	3,283,189.09	103,402.00
Due in More than One Year	58,804,230.42	2,525,299.00
TOTAL LIABILITIES	63,446,589.86	3,162,987.00
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	86,916,334.66	10,667,365.00
Restricted For: (See Note 12)		
Road and Bridge Purposes	9,873,977.81	
Other Purposes	4,883,500.37	691,003.00
Unrestricted	11,054,744.81	7,382,540.00
TOTAL NET ASSETS	112,728,557.45	18,740,908.00
TOTAL LIABILITIES AND NET ASSETS	$ 176,175,147.31	$ 21,903,895.00

The notes to the financial statements are an integral part of this statement.

PENNINGTON COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Component Unit
Primary Government:						
Governmental Activities:						
General Government	$ 13,501,340.41	$ 1,729,837.68	$ 377,728.24	$	$ (11,773,793.61)	$
Public Safety	29,265,224.81	11,883,285.35	1,654,185.73		(15,747,693.73)	
Public Works	3,811,982.76	172,466.74	4,764,361.19		1,124,884.17	
Health and Welfare	2,391,084.85	479,843.75	11,762.73		(1,903,448.47)	
Culture and Recreation	729,288.00				(729,288.00)	
Conservation of Natural Resources	352,044.89	337,861.40	52,765.67		(161,818.31)	
Ubes and Economic Development	686,449.38	128,870.17	181,642.12		(417,237.09)	
*Interest on Long-term Debt	1,361,287.23				(1,361,287.23)	
Total Primary Government	$ 52,098,707.32	$ 14,719,734.27	$ 7,012,349.84	$ 0.00	(30,956,719.37)	
Component Units:						
Pennington County Housing	$ 11,902,818.00	$ 1,886,080.00	$ 1,256,292.00	$ 1,441,812.00		(235,434.00)
General Revenues:						
Taxes:						
Property Taxes					34,057,480.44	
911 Telephone Surcharge					876,027.24	
State Shared Revenues					849,983.44	
Grants and Contributions not Restricted to Specific Programs					1,027,261.86	
Unrestricted Investment Earnings					214,054.32	242,606.00
Miscellaneous Revenue					47,283.89	484,953.00
Total General Revenues					37,172,138.99	725,759.00
Change in Net Assets					6,216,419.62	490,325.00
Net Assets - Beginning					106,513,137.83	18,250,583.00
NET ASSETS - ENDING					$ 112,729,557.45	$ 18,740,908.00

*The County does not have incurred expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

The Notes to the financial statements are an integral part of this statement.

PENNINGTON COUNTY
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
December 31, 2010

Total Fund Balances - Governmental Funds		$ 96,371,674.30
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	107,433,266.74	
Long-term liabilities, including bonds payable and accrued leave payable are not due and payable in the current period and therefore are not reported in the funds.	(82,087,410.51)	
Assets such as taxes receivable (delinquent) are not available to pay for the current period expenditures and therefore are deferred in the funds.	770,369.91	
Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	240,756.11	
Net Assets - Governmental Funds		$ 112,729,557.45

The Notes to the Financial Statements are an integral part of this statement.

PENNINGTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2010

	General Fund	Road and Bridge Fund	Courthouse Complex Expansion Capital Projects Fund	Law Enforcement Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes:						
General Property Taxes--Current	$ 27,867,545.45	$ 1,533,863.13	$	$	$ 3,793,615.07	$ 33,195,346.65
General Property Taxes--Delinquent	483,493.46	79,917.84			57,786.08	871,179.38
Penalties and Interest	97,549.82	5,917.85			12,792.27	116,259.94
Telephone Tax (Outside)	142,788.57					142,788.57
Mobile Home Tax	71,414.39	7,190.46			10,291.80	88,896.67
911 Telephone Surcharge					876,027.24	876,027.24
Other Taxes	60,763.55					60,763.55
Licenses and Permits	264,929.28	911.72			31,440.00	327,281.00
Intergovernmental Revenue:						
Federal Grants	925,592.19				817,579.81	1,743,171.82
Federal Shared Revenue		454,811.86			73,744.76	528,556.62
Federal Payments in Lieu of Taxes	1,004,216.90					1,004,216.06
State Grants	81,457.87					81,457.87
State Shared Revenue:						
Bank Franchise	262,916.89					262,916.89
Motor Vehicle Licenses		3,166,646.20				3,166,646.20
Liquor Tax Reversion	784.89					784.89
Court Appointed Attorney/Public Defender	150,731.06					150,731.06
Probate/Port of Entry Fees		264,425.06				264,425.06
63 3/4% Mobile Home/Manufactured Home		99,372.06				99,372.06
Secondary Road Motor Vehicle Remittances		799,132.51				799,132.51
Telecommunications Gross Receipts Tax	566,281.78					566,281.78
Motor Vehicle 1/4%	15,480.67				42,947.66	58,254.53
Other Payments in Lieu of Taxes	20,786.98				2,797.56	23,584.54
Other Intergovernmental Revenue	198,934.46				79,028.71	278,963.17
Charges for Goods and Services:						
General Government:						
Treasurer's Fees	218,478.90					218,478.90
Register of Deeds' Fees	615,434.87					615,434.87
Legal Services	18,887.71					18,887.71
Clerk of Courts Fees	163,423.60					163,423.60
Other Fees	373,822.80				11,700.08	385,522.80
Public Safety:						
Law Enforcement	774,636.88					774,636.88
Prisoner Care	5,960,273.07					5,960,273.07
Sobriety Testing					311,032.78	311,032.78
Other	4,874,915.91				10,240.90	4,886,156.41

PENNINGTON COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2010

	General Fund	Road and Bridge Fund	Courthouse Complex Expansion Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Current Assets:					
Cash and Cash Equivalents	$ 7,900,981.84	$ 8,171,476.50	$ 37,415,072.48	$ 4,267,235.16	$ 57,864,764.98
Investments	4,880,417.81				4,880,417.81
Taxes Receivable--Delinquent	814,276.88	67,771.26		88,219.89	770,268.01
Accounts Receivable, Net	91,518.29	10,161.95		207,503.14	309,183.38
Notes Receivable	3,369.00				3,369.00
Due from Other Governmnt	2,234,480.98	923,354.86		217,091.06	3,384,926.92
Inventory of Supplies		1,133,700.67			1,133,700.67
Deposits	521,462.22				521,462.22
TOTAL ASSETS	$ 15,846,529.80	$ 10,306,464.26	$ 37,415,072.48	$ 4,780,049.25	$ 68,348,114.48
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	$ 466,638.59	$ 47,846.80	$ 177,077.09	$ 156,167.84	$ 852,570.33
Deferred Revenue	828,482.96	67,771.26		127,615.91	1,123,869.83
Total Liabilities	1,295,121.55	115,466.06	177,077.09	286,783.75	1,976,440.16
Fund Balances:					
Reserved For:					
Inventory		1,133,700.67			1,133,700.67
Emergency Disaster		329,418.31			329,418.31
Secondary Road		5,044,036.15			5,044,036.15
Other Purposes (SDPAA)	521,462.22				521,462.22
Unreserved Fund Balances:					
Designated for Next Year's Appropriation	4,848,736.00	172,312.00			5,021,050.00
Reported in Nonmajor:					
Special Revenue Funds				188,426.80	188,426.80
Designated for Other Purposes	877,208.11				877,208.11
Reported in Nonmajor:					
Special Revenue Funds				776,660.90	776,660.90
Undesignated	8,308,980.82	3,511,530.07	37,237,995.39		49,058,514.28
Reported in Nonmajor:					
Special Revenue Funds				3,532,184.66	3,532,184.66
Total Fund Balances	14,546,387.25	10,191,005.20	37,237,995.39	4,494,265.46	86,371,674.30
TOTAL LIABILITIES AND FUND BALANCES	$ 15,846,529.80	$ 10,306,464.26	$ 37,415,072.48	$ 4,780,049.25	$ 68,348,114.48

The notes to the financial statements are an integral part of this statement.

Capital Outlay	453,531.75	8,986,645.20	138,923.80		2,228,895.80	11,536,772.05
Total Expenditures	57,685,141.75	10,000,697.10	392,284.71	0.00	6,364,966.19	81,454,939.83
Excess of Revenues Over (Under) Expenditures	3,367,854.72	(3,815,343.08)	(265,282.71)	1,139.58	(1,081,373.79)	(5,441,005.10)
Other Financing Sources (Uses):						
Transfers In	39,169.53	2,249,744.19			2,449,280.80	4,813,145.13
Transfers Out	(3,969,396.46)	(71,726.40)	37,441,278.10	(1,139,717.20)	(36,440.73)	(4,813,145.13)
Proceeds of General Long-Term Debt					901,873.18	37,943,951.23
Sale of County Property	8,061.05					8,061.05
Total Other Financing Sources (Uses)	(3,922,165.87)	2,184,018.80	37,441,278.10	(1,139,717.20)	3,314,713.25	37,944,952.28
Net Change in Fund Balance	(147,238.06)	(1,431,327.19)	37,237,995.39	(1,114,577.61)	863,066.67	35,497,947.06
Change in Fund Balance Reserves:						
Change in Inventory		116,369.27				116,369.27
Fund Balance - Beginning	14,595,840.33	11,505,964.12		1,114,577.61	3,631,471.88	30,847,853.94
FUND BALANCE - ENDING	$ 14,448,602.25	$ 10,191,006.20	$ 37,237,995.39	$ 0.00	$ 4,494,538.55	$ 66,371,674.26

The notes to the financial statements are an integral part of this statement.

Public Works:			171,007.93			171,007.93
Highways						
Health and Welfare:						
Economic Assistance:						
Hot Lunch Program (Net	431,907.28					431,907.28
Veterans Service Officer	4,987.50					4,987.50
Mental Health Services	22,349.00					22,349.00
Conservation of Natural Resources	232,419.36					232,419.36
Other Charges	82,963.84					82,963.84
Parks and Forests:						
Parks	93,000.23					93,000.23
Forests	1,290.00					1,290.00
Miscellaneous Revenue:						
Investment Earnings	108,750.65		71,739.80		1,139.58	32,453.93
Special Assessments	8,243.83					8,243.83
Contributions and Donations	13,472.60					10,780.77
Refund of Prior Year's Expenditures	4,143.94					4,143.94
Other	36,332.05		648.08			36,980.13
Total Revenues	48,055,999.02		6,548,484.81	0.00	1,139.58	8,370,324.48
Expenditures:						
General Government:						
Legislative	780,842.23					18,341.89
Board of County Commissioners	436,829.14					
Elections	360,394.02					
Financial Administration:						
Auditor	361,969.27					
Treasurer	811,179.22					
Information Technology Services	391,809.87					
Legal Services:						
States Attorney	1,955,227.51					
Public Defender	1,377,108.51					
Court Appointed Attorney	766,951.35					
Soldiers and Prohibited Cold Defense	196,913.01					
Other	663,032.66					
Other Administration:						
General Government Building	3,987,836.39			8,659.71		498,101.79
Division of Equalization	1,118,134.23					
Register of Deeds	464,886.61					
Treasurer's Office	3,336.00					
Other	100,000.00					
Public Safety:						
Law Enforcement:						
Sheriff	6,977,179.46					72,228.76
Sheriff - Jail	6,241,844.86					
Dispatch	119,794.20					
Divorce/Wills Law Enforcement	879,397.44					
Juvenile Detention	2,072,416.23					
Other Law Enforcement	2,166,304.87					325,676.04

PENNINGTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Years Ended December 31, 2010
(Continued)

	General Fund	Road and Bridge Fund	Courthouse Complex Expansion Capital Projects Fund	Law Enforcement Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Protective and Emergency Services:						
Fire Protection	71,670.91				299,784.88	299,784.88
Emergency and Disaster Services	36,000.00				958,348.51	994,017.42
Flood Control	1,976,745.18					1,976,745.18
Communication Center					888,255.55	888,255.55
Public Works:						
Highways, Roads and Bridges		1,400,992.50				1,400,992.50
Health and Welfare:						
Economic Assistance:						
Support of Poor	1,200,086.37					1,200,085.37
Veterans Service Officer						
Health Services	154,900.00					154,900.00
Ambulance	2,000.00					2,000.00
Other	49,271.64					49,271.64
Social Services:						
Care of Aged	20,448.09					20,448.09
Child Welfare					43,140.00	43,140.00
Mental Health Services:						
Mentally Ill					992,236.45	992,236.45
Culture and Recreation:						
Culture						
County Library					478,320.00	478,320.00
Recreation:						
County Fair					194,900.00	194,900.00
Conservation of Natural Resources:						
Soil Conservation:						
County Extension	97,222.08					97,222.08
Soil Conservation Districts	61,528.00					61,528.00
Weed and Pest Control	274,637.24					274,637.24
Water Conservation:						
Drainage Commissions	100,000.00					100,000.00
Urban and Economic Development:						
Urban Redevelopment						
Planning and Zoning	337,844.56					337,844.56
Urban and Rural Development					24,197.37	24,197.37
Other	213,924.10					213,924.10
Debt Service	778,868.85			37,108.00	2,415,439.82	3,231,416.67

PENNINGTON COUNTY
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended December 31, 2010

Net Change in Fund Balances - Total Governmental Funds	$ 35,507,947.06
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays $11,438,792.95 were more (less) than depreciation $3,890,943.63 in the current period.	7,547,849.32
In the statement of activities, the loss on disposal of assets is reported, whereas in the governmental funds, the disposal of fixed assets is not reflected.	(281,564.38)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,877,941.55
The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	(117,738.74)
Governmental funds reflect inventory changes as Changes in Reserves to Fund Balance, but the statement of activities reflects the change through expenditures.	116,369.27
Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures.	(263,493.74)
Governmental funds do not reflect the change in accrued OPEB, but the statement of activities reflects the change in accrued OPEB through expenditures.	(356,396.00)
Proceeds of bond principal is a revenue in the Governmental Funds, but increases the long-term liabilities in the statement of net assets.	(37,942,951.23)
Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities	127,458.49
Change in Net Assets of Governmental Activities	$ 6,215,419.82

The notes to the financial statements are an integral part of this statement.

PENNINGTON COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2010

	Internal Service Funds Health Care Trust
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	$ 374,617.35
Accounts Receivable, Net	19,148.76
TOTAL ASSETS	$ 393,766.11
LIABILITIES:	
Current Liabilities:	
Accounts Payable	$ 153,000.00
NET ASSETS:	
Unrestricted Net Assets	240,766.11
TOTAL LIABILITIES AND NET ASSETS	$ 393,766.11

The notes to the financial statements are an integral part of this statement.

PENNINGTON COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2010

	Internal Service Funds Health Care Trust
Operating Revenues:	
Charges for Goods and Services	$ 3,914,217.27
Contributions and Donations (Refunds)	382,368.24
Total Operating Revenues	4,296,585.51
Operating Expenses:	
Personal Services	614,649.99
Other Current Expense	120,385.48
Claims Paid - Gross	3,437,053.81
Total Operating Expenses	4,172,099.28
Operating Income (Loss)	124,486.23
Nonoperating Revenues (Expenses):	
Investment Earnings	2,972.26
Change in Net Assets	127,458.49
Net Assets - Beginning	113,307.62
NET ASSETS - ENDING	$ 240,766.11

The notes to the financial statements are an integral part of this statement.

PENNINGTON COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2010

	Internal Service Funds Health Care Trust
Cash Flows from Operating Activities:	
Cash Receipts from Customers/Employees	$ 3,914,217.27
Cash Payments to Administrator	(735,045.47)
Claims Paid	(3,609,053.81)
Other Operating Receipts	548,881.02
Net Cash Provided (Used) by Operating Activities	118,999.01
Cash Flows from Investing Activities:	
Interest Earnings	2,972.26
Net Increase (Decrease) in Cash and Cash Equivalents	121,971.27
Cash and Cash Equivalents at Beginning of Year	252,646.08
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 374,617.35
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income (Loss)	$ 124,486.23
Change in Assets and Liabilities:	
Receivables	166,512.78
Accounts and Other Payables	(172,000.00)
Net Cash Provided (Used) by Operating Activities	$ 118,999.01

The notes to the financial statements are an integral part of this statement.

PENNINGTON COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2010

	Agency Funds
ASSETS:	
Cash and Cash Equivalents	$ 2,585,397.29
TOTAL ASSETS	$ 2,585,397.29
LIABILITIES:	
Amounts Held for Others	$ 549,191.57
Due to Other Governments	2,036,205.72
TOTAL LIABILITIES	$ 2,585,397.29

The notes to the financial statements are an integral part of this statement.

PENNINGTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity:

The reporting entity of Pennington County, SD consists of the primary government which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility; those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The County is financially accountable if its County Commission appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on the County. The County may also be financially accountable for another organization if that organization is fiscally dependent on the County.

The Housing and Redevelopment Commission of Pennington County, South Dakota (Commission) is a proprietary fund-type, a discretely-presented component unit. The five members of the Commission are appointed by approval of the Board of County Commissioners for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The County Commission, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct a low-income housing unit, or to issue debt, which gives the County Commission the ability to impose its will on the Commission. The Housing and Redevelopment Commission's fiscal year end is March 31 of each year. The County has included the March 31, 2010 audit report's financial information, which is the most recent available, for the amounts it reports as a discretely presented component unit. No significant transactions between the County and The Housing Development Commission have occurred. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from: 1804 West Fulton Street, Rapid City, SD 57702-4358.

b. Basis of Presentation:

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental activities and the discretely presented component unit. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Discretely presented component units are legally separate organizations that meet certain criteria, as described in note 1.a., above and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1.a., above.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are

those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the County or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the County financial reporting entity are described below:

Governmental Funds:

General Fund – The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

Road and Bridge Fund – to account for funds credited to the road and bridge fund pursuant to SDCL 32-11-4.2 to be used by the board of county commissioners for grading, constructing, planing, dragging, and maintaining county highways and also for dragging, maintaining, and grading secondary roads. Proper equipment for dragging, grading, and maintaining highways, such as graders, tractors, drags, maintainers, and planers may be purchased from the road and bridge fund. (SDCL 32-11-2 and 32-11-4.2) This is a major fund.

The remaining Special Revenue funds are not considered major funds: Library, Drug Seizure, County Fire Administration, Title III, Emergency Management, Hazardous Materials, Domestic Abuse, Accumulated Building, 911 Services, County Fair, and 24-7. These funds are reported on the fund financial statements as "Other Governmental Funds".

Debt Service Funds – Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

TIF #2 and TIF #3 Debt Service Fund – to account for property taxes which may be used only for payment of the debt principal, interest, and related debt. These are not major funds.

Capital Projects Funds – Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds for individuals, private organizations, or other governments).

Courthouse Complex Expansion Capital Projects Fund – to account for financial resources to be used to implement the County's Master Plan for the construction of a parking ramp, a City/County evidence building, an energy plant, and a new county administration building. This is a major fund.

Law Enforcement Capital Projects Fund – to account for financial resources to be used for the jail annex construction project. The County has chosen to report this as a major fund. This fund was closed out during 2010.

Proprietary Funds:

Internal Service Funds – Internal service funds are used to account for the financing of goods or services provided by one department to other departments of the primary government on a cost-reimbursement basis. The particular type of goods or services provided to other departments is for employee health care. Internal service funds are never considered to be major funds. The Health Care Trust Fund is the only internal service fund maintained by the County.

Fiduciary Funds:

Fiduciary funds consist of the following sub-category and are never considered to be major funds:

Agency Funds – Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds are used to account for the accumulation and distribution of property tax revenues and various pass-through funds.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus:

Government-wide Financial Statements:

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental fund types, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary fund types.

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Assets and Statement of Activities, governmental and component unit activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned usually when the right to receive cash vests; and, expenses and related liabilities are recorded when an obligation is incurred usually when the obligation to pay cash in the future vests.

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the County is 30 days. The revenues which are accrued at December 31, 2010 are: highway billings, board of prisoners, and other receivables from various federal, state, and local governments.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

All proprietary and fiduciary fund types are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

In order to minimize the doubling-up effect of internal service fund activity, certain "centralized expenses" including an administrative overhead component, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged, in this manner, expense reductions occur in the Health Care Trust Fund, so that expenses are reported only by the function to which they relate.

Fund Financial Statements:

Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources."

e. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. *Infrastructure assets* are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Financial Statements:

Capital assets are recorded at historical cost, or estimated cost, where actual cost could not be determined. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

The total December 31, 2010 balances of governmental activities capital assets all represent original costs.

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 1980, were not required to be capitalized by the County. Infrastructure assets acquired since January 1, 1980 are recorded at cost, and classified as "Improvements Other than Buildings." The County has reported all infrastructure assets on its December 31, 2010 statements.

For governmental activities Capital Assets, construction-period interest is not capitalized, in accordance with USGAAP.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities. Accumulated depreciation is reported on the government-wide Statement of Net Assets.

Capitalization thresholds are the dollar values above which asset acquisitions are added to the capital asset accounts. Depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land and Land Rights	all capitalized	N/A	N/A
Improvements Other Than Buildings	$ 50,000	Straight-line	99 years
Buildings	$ 50,000	Straight-line	10-100 years
Machinery and Equipment	$ 5,000	Straight-line	5-15 years
Infrastructure	$ 50,000	Straight-line	20-40 years

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as Capital Outlay expenditures of the appropriate governmental fund upon acquisition.

f. Long-Term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of general obligation bonds, financing of capital acquisition leases, and compensated absences.

In the fund financial statements, debt proceeds are reported as revenues on other financing sources, while payments of principal and interest are reported as expenditures when they become due.

g. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the County's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

h. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Net Assets, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

i. Cash and Cash Equivalents:

The County pools the cash resources of its funds for cash management purposes. The Health Care Trust Fund, a proprietary fund, essentially has access to the entire amount of its cash resources on demand. Accordingly, the Health Care Trust Fund's equity in the cash management pool is considered to be cash and cash equivalents for the purpose of the Statement of Cash Flows.

j. Equity Classifications:

Government-wide Financial Statements:

Equity is classified as net assets and is displayed in three components:

1. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets – Consists of net assets with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Reserved" and "Unreserved" components. Proprietary fund equity is classified the same as in the government-wide financial statements. Agency Funds have no fund equity. The net assets are reported as net assets held in agency capacity.

k. Application of Net Assets:

It is the County's policy to first use restricted net assets, prior to the use of unrestricted net assets, when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

The County is prohibited by statute from spending in excess of appropriated amounts at the department level. There was one in 2010. The Court Appointed Attorney budget was over spent by $28,418.51 due to a large trial in December 2010.

3. DEFICIT FUND BALANCES/FUND NET ASSETS

As of December 31, 2010 no funds had deficit fund balances.

4. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The County follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits – The County's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 7-20-1, 7-20-1.1 and 7-20-1.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by

federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments – In general, SDCL 4-5-6 permits County funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Credit Risk – State law limits eligible investments for the County, as discussed above. The County has no investment policy that would further limit its investment choices.

As of December 31, 2010, the County had the following investments. All investments are in an internal deposit and investment pool.

Investment Type	Credit Rating	Fair Value
Government National Mortgage Assn.	AAA	$ 39,330.39
Federal National Mortgage Assn.	AAA	17,528.90
Federal Home Loan Mortgage Corp	AAA	2,007.85
Subtotal		58,868.24
Mutual Funds:		
US Government Money Market Fund	Unrated	11,027.07
First American Government Obligation Fund	Unrated	37,441,276.10
Subtotal		37,452,305.17
TOTAL		$ 37,511,173.41

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect fair market value of an investment.

Investment Type	Fair Value	Less than 1 year	1 to 5 years	6 to 10 years	Greater than 10 years
GNMA	$	$	$	$	$ 12,980.39
GNMA					26,350.00
FNMA					13,554.67
FNMA					3,955.23
FHLA					2,007.95
Total		0.00	0.00	0.00	58,868.24
Other Investments					
Mutual Funds	37,452,305.17				
Total	$ 37,452,305.17				

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The County's policy is to credit all income from deposits and investments to the General Fund, except for 911 Service, Capital Projects, and the Health Care Trust fund which retains their investment income. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. The governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment; a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated.

5. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The County expects all receivables to be collected within one year.

6. INVENTORY

Inventory in the Road and Bridge Fund consists of expendable supplies held for consumption. Supply inventories are recorded at cost using the average cost method of valuation.

Government-wide Financial Statements:

In the government-wide financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed.

Fund Financial Statements:

In the fund financial statements, purchases of supply inventory items are recorded as expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

7. PROPERTY TAXES

Property taxes are levied on or before October 1, of the year preceding the start of the fiscal year. They attach as an enforceable lien on property, and become due and payable as of the following January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year.

The County is permitted by several state statutes to levy varying amounts of taxes per $1,000 of taxable valuation on taxable real property in the County.

8. CHANGES IN GENERAL CAPITAL ASSETS

A summary of changes in capital assets and construction in progress for the year ended December 31, 2010 is as follows:

	Balance 1/1/2010	Increases	Decreases	Balance 12/31/2010
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	$ 1,095,308.00	$ 2,123,340.00	$	$ 3,218,648.00
Construction in Progress		159,523.00		159,523.00
Total Capital Assets not being Depreciated	1,095,308.00	2,282,863.00	0.00	3,378,171.00
Capital Assets being Depreciated:				
Infrastructure (exp other than Bldgs)	69,065,873.10	5,772,870.81	(945,560.71)	74,393,283.20
Buildings	87,197,320.00		(42,084.00)	87,155,236.00
Machinery and Equipment	18,131,723.00	3,432,958.00	(302,074.00)	21,262,584.00
Total Capital Assets being Depreciated	154,395,016.10	9,205,805.81	(1,289,718.71)	162,811,103.20
TOTAL CAPITAL ASSETS	$ 155,990,324.10	$ 11,488,668.81	$ (1,289,718.71)	$ 166,189,274.20
Less Accumulated Depreciation for:				
Infrastructure	$ (33,227,148.30)	$ (1,398,771.83)	$ 894,452.47	$ (33,931,467.46)
Buildings	(15,381,527.00)	(1,182,640.00)	6,522.00	(16,557,985.00)
Machinery and Equipment	(7,214,367.00)	(1,309,462.00)	257,304.00	(8,266,525.00)
Total Accumulated Depreciation	(55,823,342.30)	(3,890,873.83)	958,278.47	(58,756,007.46)
Total Capital Assets being Depreciated, Net	98,571,673.80	5,314,882.18	(331,440.24)	104,055,095.74
Governmental Activity Capital Assets, Net	$ 100,166,981.80	$ 7,597,726.16	$ (331,440.24)	$ 107,433,266.74

Depreciation expense was charged to functions as follows:

	12/31/2010
General Government	$ 270,831.00
Public Safety	1,439,024.00
Public Works	2,067,450.83
Health and Welfare	17,933.00
Culture and Recreation	84,744.00
Conservation of Natural Resources	16,817.00
Urban and Economic Development	4,144.00
Total Depreciation Expense-Governmental Activities	$ 3,890,943.83

9. CHANGES IN COMPONENT UNIT CAPITAL ASSETS

2010	Balance 4/1/2009	Additions	Deletions	Balance 3/31/2010
Land	$ 1,980,045	$	$ (599)	$ 1,979,446
Buildings	30,111,897	1,201,754	(1,571,807)	29,741,844
Furniture, Equipment and Machinery	1,297,737	1,628,991	(29,922)	2,895,806
Leasehold Improvements	3,523,050	58,720		3,581,770
TOTAL	$ 36,912,729	$ 2,889,465	$ (1,602,328)	$ 38,199,866

2009	Balance 4/1/2008	Additions	Deletions	Balance 3/31/2009
Land	$ 1,979,446	$ 599	$	$ 1,980,045
Buildings	30,183,151	707,328	(778,812)	30,111,897
Furniture, Equipment and Machinery	597,201	727,416	(28,880)	1,297,737
Leasehold Improvements	3,593,662		(70,512)	3,523,050
TOTAL	$ 36,353,390	$ 1,435,343	$ (878,004)	$ 36,912,729

Accumulated depreciation activity for the years ended March 31, 2010 and 2009 was as follows:

2010	Balance 4/1/2009	Additions	Deletions	Balance 3/31/2010
Buildings	$ 20,394,806	$ 1,070,410	$ (911,723)	$ 20,553,493
Furniture, Equipment and Machinery	1,011,579	1,063,151	(29,922)	2,044,808
Leasehold Improvements	2,372,806	128,870		2,501,676
TOTAL	$ 23,779,191	$ 2,262,431	$ (941,645)	$ 25,099,977

2009	Balance 4/1/2008	Additions	Deletions	Balance 3/31/2009
Buildings	$ 19,813,074	$ 1,065,762	$ (484,030)	$ 20,394,806
Furniture, Equipment and Machinery	525,854	512,321	(28,396)	1,011,579
Leasehold Improvements	2,292,068	135,286	(54,548)	2,372,806
TOTAL	$ 22,630,796	$ 1,713,369	$ (564,974)	$ 23,779,191

10. LONG-TERM LIABILITIES, COMPONENT UNITS, COMPENSATED ABSENCES

A summary of changes in long-term liabilities follows:

Indebtedness	Long-Term Debt January 1, 2010	Additions	Deletions	Long-Term Debt December 31, 2010	Due In One Year
Governmental Long-Term Debt:					
Certificates of Participation:					
2010 Series A RZ Matures 12/1/40	$	$ 7,930,000.00	$	$ 7,930,000.00	$ 200,000.00
2010 Series B BAB Matures 12/1/37		27,435,000.00		27,435,000.00	
2010 Series C COP Matures 12/1/16		2,550,000.00		2,550,000.00	
2009 COP Event Center Matures 12/17	2,135,000.00		40,000.00	2,095,000.00	285,000.00
2008A Series Matures 12/1/23	5,495,000.00		310,000.00	5,185,000.00	320,000.00
2004 Series Matures 6/1/13	550,000.00		130,000.00	420,000.00	135,000.00
2003A Refunded Series Matures 12/1/23	9,355,000.00		510,000.00	8,825,000.00	525,000.00
2002 Event Center Matures 12/1/11	240,000.00		240,000.00		
2000 JBC Series Matures 5/1/13	1,100,000.00		250,000.00	850,000.00	275,000.00
Honeywell Lease Matures 7/11/16	2,815,109.35		350,181.88	2,464,927.47	366,224.77
Tax Increment Financing	240,275.64	27,951.23	47,739.67	220,487.20	1,546.74
Accrued Leave Liability At 12/31/10	3,001,655.11	1,344,083.97	1,080,559.84	3,265,048.84	1,179,417.58
Accrued OPEB Liability At 12/31/10	490,378.00	356,198.00		846,576.00	
Total Primary Government	25,402,518.10	39,643,402.80	2,958,501.39	62,087,419.51	3,283,189.09
Component Unit	2,515,985.00		103,441.00	2,412,524.00	103,402.06
GRAND TOTAL DEBT	$ 27,918,483.10	$ 39,643,402.80	$ 3,061,942.39	$ 64,499,943.51	$ 3,386,591.09

The annual requirements to amortize all debt outstanding as of December 31, 2010, except for compensated absences and OPEB liability are as follows:

Annual Requirements to Amortize Long-Term Debt
December 31, 2010

Year Ending December 31,	Certificates of Participation Payable		Installment Contract Payable	
	Principal	Interest	Principal	Interest
2011	$ 1,740,000.00	$ 2,790,744.89	$ 366,224.77	$ 107,660.17
2012	1,835,000.00	2,858,870.88	383,002.64	90,782.30
2013	1,900,000.00	2,801,483.00	400,549.15	73,235.79
2014	1,835,000.00	2,746,349.75	418,899.51	54,885.43
2015	1,895,000.00	2,693,985.75	438,090.57	35,694.37
2016-2020	10,475,000.00	12,456,192.00	458,160.83	15,824.12
2021-2025	9,685,000.00	10,076,136.25		
2026-2030	6,905,000.00	7,942,838.25		
2031-2035	8,470,000.00	5,531,610.00		
2036-2040	10,550,000.00	2,181,127.50		
Total	$ 55,290,000.00	$52,079,316.37	$ 2,464,927.47	$ 377,782.18

Year Ending December 31,	Tax Increment Financing		Total	
	Principal	Interest	Principal	Interest
2011	$ 220,467.20	$ 16,232.39	$ 2,326,691.97	$ 2,914,537.55
2012			2,218,002.64	2,949,653.18
2013			2,300,549.15	2,874,718.79
2014			2,253,899.51	2,801,235.18
2015			2,333,090.57	2,729,680.12
2016-2020			10,933,160.83	12,471,816.12
2021-2025			9,685,000.00	10,076,136.25
2026-2030			6,905,000.00	7,942,838.25
2031-2035			8,470,000.00	5,531,610.00
2036-2040			10,550,000.00	2,181,127.50
Total	$ 220,467.20	$ 16,232.39	$ 57,975,394.57	$ 52,473,330.94

Debt payable at December 31, 2010 is comprised of the following:

Certificates of Participation:

2010 Series A Recovery Zone – Interest Rate of 7.3 percent Maturing 12/1/40 – Payable from Accumulated Building Fund	$ 7,930,000.00
2010 Series B Build America Bond – Interest Rates from 3 percent to 7.2 percent – Maturing 12/1/37 – Payable from Accumulated Building Fund	$ 27,435,000.00
2010 Series C Certificates of Participation – Interest Rates from 1 percent to 2.5 percent – Maturing 12/1/16 – Payable from Accumulated Building Fund	$ 2,550,000.00
2009 COP Series Event Center – Interest Rates from 1 percent to 3 percent – Maturing 12/1/17 – Payable from the County Fair Fund	$ 2,095,000.00

2008A Series – Interest Rates from 2.6 percent to 4.4 percent – Maturing 12/1/23 – Payable from Accumulated Building Fund	$ 5,185,000.00
2004 Series – Interest Rates from 1.25 percent to 3.4 percent – Maturing 5/1/13 – Payable from Accumulated Building Fund	$ 420,000.00
2003A Refunding Series – Interest Rates from 2.8 percent to 4.4 percent – Maturing 12/1/23 – Payable from Accumulated Building Fund	$ 6,825,000.00
2000 Series – Western South Dakota Juvenile Detention Center – Interest Rates from 4.3 percent to 5.4 percent – Maturing 5/1/13 – Payable from County General Regional Juvenile Service Center	$ 850,000.00

Installment Contracts:

Honeywell Lease – Interest Rate of 4.53 percent – Maturing 7/11/16 – Payable from County General Fund	$ 2,464,927.47

Compensated Absences:

Accrued Leave Liability at December 31, 2010 Payment will be made from the fund that payroll expenditures are charged to.	$ 3,265,048.84
2009 Tax Increment Financing Bank Loan – Interest Rate of 6.5 percent – Paid by Tax Increment District PC TID #3	$ 220,467.20
Accrued OPEB Liability at 12/31/10	$ 846,976.00

11. CONDUIT DEBT

In the past, the County has issued revenue bonds to provide financial assistance to certain private-sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities is retained by the private-sector entity served by the bond issuance. Neither the County, the State of South Dakota, nor any other political subdivision of the state is obligated in any manner for the repayment of these conduit debt issues. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2010, there were 5.

Entity	Balance 12/31/2010
Black Hills Power and Light	$ 2,050,000.00
Black Hills Workshop	1,693,577.90
Children's Care Hospital and School	249,479.57
United Blood Services	40,975,000.00
United Way	245,758.96
Total	$ 45,213,816.43

12. RESTRICTED NET ASSETS

Restricted net assets for the year ended December 31, 2010 were as follows:

Major Funds:		
Road and Bridge Purposes	$ 9,873,977.81	
Other Purposes:		
Accumulated Building Purposes	1,873,873.77	
County Fair Purposes	241,779.86	
County Fire Purposes	304,482.07	
Drug Seizure Purposes	30,535.04	
911 Service Purposes	632,839.64	
Emergency Management Purposes	459,147.19	
Hazardous Materials Purposes	13,883.41	
Library Purposes	121,834.25	
Title III Purposes	712,207.20	
24/7 Purposes	191,902.92	
Tax Increment Financing Purposes	(220,467.20)	
Insurance Purposes (SDPAA)	521,482.22	
Total Other Purposes	4,883,500.37	
Total Restricted Net Assets		$ 14,757,478.18

These balances are restricted due to federal grant and statutory requirements.

13. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2010 were as follows:

	Transfers To:			
Transfers From:	General Fund	Road and Bridge Fund	Total Other Governmental Funds	Total
General Fund	$	$ 2,255,744.70	$ 1,353,513.70	$ 3,609,258.40
Road and Bridge Fund	71,728.80			71,728.80
Law Enforcement Capital Projects Fund			1,115,717.20	1,115,717.20
Other Governmental Funds	16,440.73			16,440.73
Total	$ 88,169.53	$ 2,255,744.70	$ 2,469,230.90	$ 4,813,145.13

The County typically budgets transfers to the Road and Bridge Fund and the Emergency Management Fund to conduct the indispensable functions of the County. According to Commission policy, transfers to the General Fund are for the transfer of interest earnings. Transfer from the Law Enforcement Capital Projects Fund is to close fund to Accumulated Building Fund.

14. RETIREMENT PLAN

All employees, except for non-benefited part-time employees, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

General employees are required by state statute to contribute 6 percent of their salary to the plan, while law enforcement employees contribute at 8 percent. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The County's employer's share of contributions to the SDRS for the fiscal years ended December 31, 2010, 2009, and 2008 were $1,827,215.74, $1,756,822.39, and $1,700,118.92, respectively, equal to the required contributions each year.

15. OTHER POST-EMPLOYMENT BENEFITS – HEALTHCARE PLAN

Plan Description. Pennington County Health Care Trust Plan is a single-employer defined benefit healthcare plan administered by Pennington County. The Pennington County Health Care Trust Plan provides medical insurance benefits to eligible retirees and their spouses as permitted by South Dakota Codified Law 6-1-15. Benefit provisions were established and may be amended by the Pennington County Health Care Trust Board and the governing board. The health plan does not issue separately stated stand-alone financial statements.

Funding Policy. The contribution requirements of plan members and the County are established and may be amended by the Pennington County Health Care Trust Board and the governing board. A benefited employee, who retires from the County on or after the age of 50 and with at least 10 years of consecutive service with the County, may be eligible for retiree health insurance coverage. Coverage ceases when the retiree attains the age of 65. The retiree is responsible for 60% of the full active premium rates for either single, employee + 1, or family coverage.

Annual OPEB Cost and Net OPEB Obligation. The County's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the financial components of the plan:

	2010	2009
Annual Required Contribution (ARC)	$ 439,984	$ 388,557
Interest on net OPEB obligation	22,076	0
Adjustment to annual required contribution	30,117	0
Annual OPEB Cost	431,943	388,557
Less Contributions made	(75,545)	(235,853)
Increase (Decrease) in net OPEB obligation	356,398	152,704
Net OPEB obligation – beginning of year	490,578	337,874
Net OPEB obligation – end of year	$ 846,976	$ 490,578

The entity's annual OPEB cost data and net OPEB obligation was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/10	$ 431,943	17.49	$ 846,976
12/31/09	$ 388,557	60.70	$ 490,578
12/31/08	$ 388,557	13.04	$ 337,674

Funded Status and Funding Progress. Updated in even numbered year, so as of December 31, 2010, the most recent actuarial valuation date, the plan's statistics were as follows:

Actuarial Accrued Liability	$ 3,683,407
Actuarial Value of Plan Assets	0
Unfunded Actuarial Accrued Liability	$ 3,683,407
Funded Ratio	0%
Covered Payroll	$ 26,192,606
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	14.1%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2008 actuarial valuation, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions included a 4.5% rate of return and an annual healthcare cost trend rate of 10 percent for 2010 incrementally reduced by 1% forward through 2013. The UAAL is being amortized as a level dollar amount on an open basis over a period of 30 years.

16. RELATED PARTY TRANSACTIONS

The Commission has a form to obtain information about related party and set a maximum limit amount per year. It is monitored monthly.

17. SIGNIFICANT CONTINGENCIES – LITIGATION

At December 31, 2010, the County was involved in several lawsuits. No determination can be made at this time regarding the potential outcome of these lawsuits. However, as discussed in the Risk Management note, the County has liability coverage for itself and its employees with the South Dakota Public Assurance Alliance. Therefore, no material effects are anticipated to the County as a result of the potential outcome of these lawsuits.

18. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2010, the County managed its risks as follows:

Employee Health Care Insurance:

The County has established a group health and dental self-insurance fund to pay for medical and dental claims of County employees and their covered dependents. Payments to the fund are determined by the Health Care Trust Board, as needed, and are to cover individual claims up to $50,000 and any administrative costs relative to the processing of claims. Medical claims exceeding $50,000 are covered through private re-insurance carriers and dental expenses are maxed at $2,500 per year. At year end an estimated liability for claims incurred but not paid is accrued based upon the past experience of the plan. At December 31, 2010, the County had net assets in the amount of $240,768.11.

Liability Insurance:

The County joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The County's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the County. The County pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The County pays an annual premium to the pool to provide coverage for:

General Liability coverage,
Automobile coverage, and
Errors and Omissions of Officials' coverage

The agreement with the SDPAA provides that the above coverages will be provided to a $5,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of $250,000 to the upper limit. A portion of the member premiums are also allocated to a cumulative reserve fund. The County would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

End of County's First Full Year	50%
End of County's Second Full Year	60%
End of County's Third Full Year	70%
End of County's Fourth Full Year	80%
End of County's Fifth Full Year	90%
End of County's Sixth Full Year and Thereafter	100%

As of December 31, 2010, the County has vested balance in the cumulative reserve fund of $521,482.22 less potential claims if the County were ever to withdraw from the pool.

The County carries a $2,500 deductible for the General Liability coverage, $2,500 to $4,000 deductible for Errors and Omissions coverage, and $500 deductible on Automobile coverage.

The County does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation:

The County joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The County's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The County pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first $650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of $2,000,000 per incident.

The County does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits:

The County provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

19. TAX INCREMENT FINANCING

During fiscal year 2010 the County did not create any new tax increment financing districts, and as of December 31, 2010, outstanding indebtedness is $220,467.20. The County reports the amount yet to be provided as Net Asset Invested in Capital Assets, Net of Related Debt in the negative amount. The funding for the negative Net Asset Invested in Capital Assets, Net of Related Debt will come from tax increment payments made by the tax increment district.

REQUIRED SUPPLEMENTARY INFORMATION
MENNINGTON COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2010

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes--Current	$ 28,275,591.37	$ 28,275,591.37	$ 27,867,848.45	$ (407,742.92)
General Property Taxes--Delinquent	220,000.00	220,000.00	483,493.48	263,493.48
Penalties and Interest	80,000.00	80,000.00	97,549.82	17,549.82
Telephone Tax (Outside)	169,000.00	165,000.00	142,766.57	(22,233.43)
Mobile Home Tax	70,000.00	70,000.00	71,414.31	1,414.31
Other Taxes	0.00	0.00	60,783.55	60,783.55
Licenses and Permits	246,000.00	246,000.00	294,829.28	48,829.28
Intergovernmental Revenue:				
Federal Grants	1,463,632.00	1,816,632.00	825,992.11	(991,039.89)
Federal Shared Revenue	1,500.00	1,500.00	0.00	(1,500.00)
Federal Payments in Lieu of Taxes	468,000.00	468,000.00	1,004,215.00	536,215.00
State Grants	28,000.00	48,000.00	61,457.67	13,457.67
State Shared Revenue:				
Bank Franchise	150,000.00	130,000.00	262,918.99	132,918.99
Liquor Tax Reversion	700.00	700.00	784.69	84.69
Court Appointed Attorney/Public Defender	185,000.00	185,000.00	150,731.56	(34,268.44)
Telecommunications Gross Receipts Tax	525,000.00	525,000.00	586,281.76	61,281.76
Motor Vehicle 1/4%	7,000.00	7,000.00	15,466.67	8,466.67
Other Payments in Lieu of Taxes	13,000.00	13,000.00	20,768.96	7,768.96
Other Intergovernmental Revenue	185,000.00	185,000.00	196,934.46	11,134.46
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	135,000.00	135,000.00	215,478.80	80,478.80
Register of Deeds' Fees	612,000.00	612,000.00	615,434.97	3,434.97
Driver's License Exam	500.00	500.00	0.00	(500.00)
Legal Services	9,000.00	9,000.00	16,597.71	7,597.71
Clerk of Courts Fees	172,000.00	172,000.00	163,421.50	(8,578.49)
Other Fees	355,300.00	376,235.00	373,822.80	(2,412.20)
Public Safety:				
Law Enforcement	750,800.00	750,800.00	774,835.84	24,035.84
Prisoner Care	8,895,866.00	8,715,575.00	8,960,273.07	(755,301.93)
Other	4,559,255.00	4,589,255.00	4,574,915.91	15,660.91
Health and Welfare:				
Economic Assistance:				
Poor Use Recoveries	443,030.00	445,030.00	437,107.25	(7,922.75)
Veterans Service Officer	4,887.00	4,887.00	4,887.50	0.50
Mental Health Services	19,000.00	19,000.00	22,348.00	3,348.00
Conservation of Natural Resources	80,000.00	133,000.00	232,415.36	99,415.36
Other Charges	43,225.00	43,225.00	52,063.94	8,838.94
Fines and Forfeits:				
Costs	150,000.00	150,000.00	97,003.23	(52,996.77)
Forfeits	500.00	500.00	1,250.00	750.00
Miscellaneous Revenue:				
Investment Earnings	325,000.00	325,000.00	108,750.03	(216,249.97)

REQUIRED SUPPLEMENTARY INFORMATION
PENNINGTON COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2018
(Continued)

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Special Assessments	0.00	0.00	5,283.93	5,283.93
Contributions and Donations	1,000.00	25,000.00	13,472.06	(11,527.00)
Refund of Prior Year's Expenditures	8,500.00	8,500.00	4,842.84	(3,657.16)
Other	25,000.00	57,584.01	36,352.05	(21,231.96)
Total Revenues	46,835,468.37	47,177,814.38	46,055,995.62	(1,121,818.76)
Expenditures:				
General Government:				
Legislative:				
Board of County Commissioners	479,779.00	679,779.00	760,842.22	129,136.78
Contingency	1,100,000.00	1,100,000.00		
Amount Transferred		(1,077,975.00)		22,025.00
Elections	465,063.00	508,018.00	439,803.14	57,214.86
Judicial System	348,113.00	348,113.00	280,384.02	67,728.98
Financial Administration:				
Auditor	316,675.00	374,675.00	351,999.77	22,755.23
Treasurer	854,891.00	874,891.00	811,579.32	63,391.68
Data Processing	512,225.00	512,225.00	501,800.87	20,424.13
Legal Services:				
State's Attorney	2,174,233.00	2,174,233.00	1,935,227.51	239,005.49
Public Defender	1,818,700.00	1,818,700.00	1,577,100.51	41,599.49
Court Appointed Attorney	336,183.00	336,183.00	364,901.51	(28,718.51)
Abused and Neglected Child Defense	224,872.06	224,872.06	186,015.81	38,636.99
Other	756,233.00	756,233.00	663,032.66	93,200.34
Other Administration:				
General Government Building	3,123,407.00	3,123,407.00	3,123,116.14	290.86
Director of Equalization	1,196,226.00	1,197,053.00	1,149,543.23	47,549.77
Register of Deeds	436,902.00	504,877.00	440,860.91	64,016.09
Predatory Animal	3,336.00	3,336.00	3,336.00	0.00
Other	100,000.00	100,000.00	100,000.00	0.00
Public Safety:				
Law Enforcement:				
Sheriff	7,361,985.00	7,387,240.01	6,233,500.46	1,153,739.55
County Jail	8,015,510.00	8,015,510.00	8,241,868.86	773,621.14
Coroner	123,000.00	123,000.00	119,798.20	3,201.80
County-Wide Law Enforcement	953,988.00	953,988.00	906,397.44	47,590.56
Juvenile Detention	5,641,286.00	5,881,197.80	5,072,419.23	588,780.77
Other Law Enforcement	3,295,739.00	3,296,739.00	3,192,186.87	104,552.13
Protective and Emergency Services:				
Emergency and Disaster Services	75,582.00	75,582.00	74,678.91	921.09
Flood Control	35,000.00	35,000.00	35,000.00	0.00
Communication Center	1,764,336.00	1,764,336.00	1,676,743.16	75,560.84
Health and Welfare:				
Economic Assistance:				
Support of Poor	1,320,631.00	1,380,379.31	1,209,085.37	160,309.94
Health Assistance:				

REQUIRED SUPPLEMENTARY INFORMATION
PENNINGTON COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2018
(Continued)

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Health Services	154,900.00	154,900.00	154,900.00	0.00
Ambulance	2,000.00	2,000.00	2,000.00	0.00
Other	30,000.00	50,000.00	49,271.64	728.36
Social Services:				
Care of Aged	20,446.00	20,446.00	20,446.00	0.00
Mental Health Services:				
Mentally Ill	951,888.00	951,888.00	890,256.45	61,631.55
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	100,958.00	100,958.00	97,222.06	3,735.94
Soil Conservation Districts	61,838.00	61,838.00	61,838.00	0.00
Weed and Pest Control	240,382.00	345,827.00	337,502.24	8,324.76
Water Conservation:				
Drainage Commissions	100,000.00	100,000.00	100,000.00	0.00
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	363,891.00	372,558.00	358,363.56	14,252.44
Other	186,633.00	666,558.00	335,078.10	271,529.90
Debt Service	777,310.00	777,310.00	776,666.46	621.14
Total Expenditures	47,116,905.06	48,070,611.32	42,668,141.23	4,162,470.09
Excess of Revenues Over (Under) Expenditures	(481,118.63)	307,300.06	3,387,854.79	3,080,351.73
Other Financing Sources (Uses):				
Transfers In	0.00	0.00	88,188.53	88,188.53
Transfers Out	(2,328,630.00)	(3,889,258.40)	(3,889,258.40)	0.00
Sale of County Property	10,000.00	10,001.00	8,001.00	(10,000.00)
Total Other Financing Sources (Uses)	(2,318,630.00)	(3,879,257.40)	(3,813,067.87)	78,188.53
Net Change in Fund Balance	(2,799,748.63)	(3,755,984.34)	(147,233.08)	3,158,721.26
Fund Balance - Beginning	14,595,640.33	14,595,640.33	14,595,640.33	0.00
FUND BALANCE - ENDING	$ 11,795,891.70	$ 11,308,685.99	$ 14,448,407.25	$ 3,158,721.26

REQUIRED SUPPLEMENTARY INFORMATION
PENNINGTON COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
ROAD AND BRIDGE FUND
For the Year Ended December 31, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes--Current	$ 1,572,422.48	$ 1,572,422.48	$ 1,535,883.13	$ (36,539.33)
General Property Taxes--Delinquent	20,000.00	20,000.00	20,917.64	917.64
Penalties and Interest	5,000.00	5,000.00	5,917.65	917.65
Mobile Home Tax	8,500.00	8,500.00	7,190.46	(1,309.54)
Licenses and Permits	2,000.00	2,000.00	911.72	(1,088.28)
Intergovernmental Revenue:				
Federal Shared Revenue	405,888.00	405,888.00	454,911.68	49,142.68
State Shared Revenue:				
Bank Franchise	12,000.00	12,000.00	0.00	(12,000.00)
Motor Vehicle Licenses	2,900,000.00	2,900,000.00	3,166,644.28	266,644.28
Prorate/Port of Entry Fees	325,000.00	325,000.00	284,425.86	(40,574.14)
83.34% Mobile Home/Manufactured Home	60,000.00	60,000.00	59,372.96	(627.04)
Secondary Road Motor Vehicle Restrictions	775,000.00	775,000.00	799,132.51	24,132.51
Charges for Goods and Services:				
Public Works:				
Highways	130,500.00	130,500.00	171,007.93	40,507.93
Miscellaneous Revenue				
Investment Earnings	0.00	0.00	71,728.80	71,728.80
Other	300.00	800.00	846.98	46.98
Total Revenues	8,218,591.48	8,218,591.48	8,585,494.81	366,903.33
Expenditures:				
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges	8,907,403.00	10,845,398.00	10,200,837.70	644,561.30
Excess of Revenues Over (Under) Expenditures	(2,290,811.54)	(4,626,807.54)	(3,615,343.09)	1,011,464.45
Other Financing Sources (Uses):				
Transfers In	2,255,744.70	2,255,744.70	2,255,744.70	0.00
Transfers Out	0.00	0.00	(71,728.80)	(71,728.80)
Total Other Financing Sources (Uses)	2,255,744.70	2,255,744.70	2,184,015.90	(71,728.80)
Net Change in Fund Balance	(35,066.84)	(2,370,062.84)	(1,431,327.19)	941,735.65
Change in Fund Balance Reserves	0.00	0.00	116,369.27	116,369.27
Fund Balance - Beginning	11,505,964.12	11,505,964.12	11,505,964.12	0.00
FUND BALANCE - ENDING	$ 11,470,897.28	$ 9,132,901.28	$ 10,191,006.20	$ 1,058,104.92

PENNINGTON COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Budgetary Comparisons for the General Fund
and for each major Special Revenue Fund with a legally required budget.

Note 1. Budgets and Budgetary Accounting:

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Between the fifteenth and thirtieth days of July in each year the Board of County commissioners prepares and files with the County Auditor a provisional budget for the following year, containing a detailed estimate of cash balances, revenues and expenditures.
2. Prior to the first Tuesday in September in each year a notice of budget hearing is published once each week for two successive weeks, and the text of the provisional budget is published with the first publication.
3. The Board of County Commissioners holds a meeting for the purpose of considering the provisional budget on or prior to the first Tuesday in September in each year. Such hearings must be concluded by October first. Changes made to the provisional budget are entered at length in the minutes of the Board of County Commissioners.
4. Before October first of each year the Board of County Commissioners adopts an annual budget for the ensuing year. The adopted budget is filed in the office of the County Auditor.
5. After adoption by the Board of County Commissioners, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 7.
6. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total county budget.
7. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
8. Unexpended appropriations lapse at year end unless encumbered by resolution of the Board of County Commissioners.
9. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
10. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with USGAAP.

Note 2. GAAP/Budgetary Accounting Basis Differences:

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new sheriff's patrol car would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a new sheriff's patrol car would be reported as an expenditure of the Public Safety/Law Enforcement function of government, along with all other current Law Enforcement Department related expenditures.

PENNINGTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2010

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures 2010
US Department of Agriculture:			
Schools and Roads Cluster:			
Direct Federal Funding:			
Schools and Roads - Grants to Counties (Note 2)	10.666		$ 7,075.43
Indirect Federal Funding:			
SD State Auditor,			
Schools and Roads - Grants to States (Note 2) (Note 4)	10.665		930,967.14
Total for Schools and Roads Cluster			938,042.57
Child Nutrition Cluster:			
Indirect Federal Funding:			
SD Department of Education,			
School Breakfast Program (Note 2)	10.553		34,474.44
National School Lunch Program (Note 2)	10.555		67,281.48
Total for Child Nutrition Cluster			101,756.92
Other Programs:			
Indirect Federal Funding:			
SD Department of Agriculture,			
Cooperative Forestry Assistance	10.664		814.68
Total US Department of Agriculture			1,040,713.17
Department of Interior:			
Direct Federal Funding:			
Bureau of Land Management,			
Payment in Lieu of Taxes (97-258) (Note 2) (Note 3)	15.226		1,004,215.00
Department of Justice:			
Direct Federal Funding:			
Equitable Sharing Program	16.UNKNOWN		1,978.74
Bureau of Justice Assistance,			
Bulletproof Vest Partnership Program	16.607		4,302.00
Edward Byrne Memorial Justice Assistance Grant Program	16.738		34.90
Violence Against Women Office,			
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	16.589		27,943.96
The Community-Defined Solutions to Violence Against Women Grant Program	16.590		172,978.85
Indirect Federal Funding:			
SD Department of Corrections,			
Juvenile Justice and Delinquency Prevention--Allocation to States	16.540		85,456.99
SD Department of Social Services,			
Crime Victim Assistance	16.575		11,384.88
Violence Against Women Formula Grants	16.588		85,380.70
SD Department of Public Safety,			
Enforcing Underage Drinking Laws Program	16.727		9,890.81
City of Rapid City,			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		3,897.16
Total Department of Justice			385,236.25

PENNINGTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2010
(Continued)

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures 2010
Department of Transportation:			
Highway Safety Cluster:			
Indirect Federal Funding:			
SD Department of Public Safety,			
State and Community Highway Safety	20.600		51,081.40
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601		56,561.58
Total Department of Transportation-Highway Safety Cluster			107,622.98
General Services Administration:			
Indirect Federal Funding:			
SD Federal Property Agency,			
Donation of Federal Surplus Personal Property (Note 5)	39.003		9,286.28
Environmental Protection Agency:			
Indirect Federal Funding:			
SD Department of Environment and Natural Resources,			
Nonpoint Source Implementation Grants	66.460		87,750.00
Department of Energy:			
Direct Federal Funding:			
Recovery Act-Energy Efficiency and Conservation Block Grant Program	81.128		84,396.90
Department of Health and Human Services:			
Indirect Federal Funding:			
SD Department of Health,			
Public Health Emergency Preparedness	93.069		56,500.03
Executive Office of the President:			
Indirect Federal Funding:			
SD Attorney General,			
High Intensity Drug Trafficking Area	95.001		130,145.29
Department of Homeland Security:			
Homeland Security Cluster:			
Indirect Federal Funding:			
SD Department of Public Safety,			
Office of Emergency Management,			
Homeland Security Grant Program (Note 3) (Note 4)	97.067		747,732.33
Other Programs:			
Indirect Federal Funding:			
SD Department of Public Safety,			
Office of Emergency Management,			
Emergency Management Performance Grant	97.042		87,423.94
GRAND TOTAL			$ 3,728,413.80

Note 1: This accompanying schedule of expenditures of federal awards includes the federal grant activity of the County and is presented on the modified accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Note 2: Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

PENNINGTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2010
(Continued)

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures 2010

Note 3: This represents a Major Federal Financial Assistance Program.

Note 4: Of the federal expenditures presented in the schedule, the County provided federal awards to sub-recipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Schools and Roads-Grants to States	10.665	$ 447,738.22
Homeland Security Grant Program	97.067	$ 145,908.85

Note 5: The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the County.

PENNINGTON COUNTY
SCHEDULE OF REVENUES AND EXPENDITURES
REGIONAL JUVENILE SERVICE CENTER
For the Year Ended December 31, 2010

Beginning Balance - January 1, 2010		$ 0.00
Revenues:		
School Lunch Program	101,755.92	
Pennington County	1,901,500.00	
Butte County	23,200.00	
Harding County	11,400.00	
Lawrence County	66,200.00	
Meade County	137,900.00	
Custer County	29,200.00	
Fall River County	68,700.00	
Room and Board-Other Counties	118,200.00	
Room and Board-State	397,962.50	
Room and Board-Federal	1,340,931.49	
Fees and Charges	5,591.69	
Pay Phone Charges	12,883.93	
Total Revenues		4,215,425.53
Expenditures:		
Salaries	3,084,437.66	
OASI	223,011.73	
Retirement	238,737.51	
Workmen's Compensation	61,677.00	
Group Insurance	276,324.71	
Liability Insurance (Auto)	44,983.26	
Service and Fees	160,858.90	
Repairs and Maintenance	25,044.87	
Supplies	109,726.79	
Training and Travel	17,950.02	
Utilities	123,818.36	
Food Service	108,403.75	
Data Processing	22,771.76	
Furniture and Equipment	23,717.86	
Medical Supplies	10,302.44	
Total Expenditures		4,531,666.72
Excess of Revenues Over Expenditures		(316,241.19)
Amounts Due from Participating Counties		316,241.19
Ending Balance - December 31, 2010		$ 0.00

(This page has been left blank intentionally.)

APPENDIX D –
CONTINUING DISCLOSURE

Purpose and Beneficiaries

To provide for the public availability of certain information relating to the Series 2011A Certificates and the security therefor and to permit the original purchaser and other participating underwriters in the primary offering of the Series 2011A Certificates to comply with amendments to Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), relating to continuing disclosure (as in effect and interpreted from time to time, the "Rule"), which will enhance the marketability of the Series 2011A Certificates, the County hereby makes the following covenants and agreements for the benefit of the Owners (as hereinafter defined) from time to time of the Outstanding Series 2011A Certificates. The County is the only "obligated person" in respect of the Series 2011A Certificates within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. The County has complied in all material respects with any undertaking previously entered into by it under the Rule.

If the County fails to comply with any provisions in the Continuing Disclosure Agreement, any person aggrieved thereby, including the Owners of any Outstanding Series 2011A Certificates, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained herein, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder to the extent permitted by law. Notwithstanding anything to the contrary contained herein, in no event shall a default hereof constitute a default under the Series 2011A Certificates or under any other provision of the Trust Agreement or Lease.

As used herein, "Owner" or "Bondowner" means, in respect of a Series 2011A Certificate, the Holder thereof, and any other person who provides to the Trustee evidence in form and substance reasonably satisfactory to the Trustee that such person (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Series 2011A Certificate (including persons or entities holding Series 2011A Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Series 2011A Certificate for federal income tax purposes.

Information To Be Disclosed

The County will provide, in the manner set forth under the heading "Manner of Disclosure" herein, either directly or indirectly through an agent designated by the County, the following information at the following times:

(1) to the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format as prescribed by the MSRB, on or before 270 days after the end of each fiscal year of the County, commencing with the fiscal year ending December 31, 2010, the following financial information and operating data in respect of the County (the "Disclosure Information"):

(A) the audited financial statements of the County for such fiscal year, accompanied by the audit report and opinion of the accountant or government auditor relating thereto, as permitted or required by the laws of the State of South Dakota, containing balance sheets as of the end of such fiscal year and a statement of operations, changes in fund balances and cash flows for the fiscal year then ended, showing in comparative form such figures for the preceding fiscal year of the County, prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board as modified in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under South Dakota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the County, noting the discrepancies therefrom and the effect thereof, and certified as to accuracy and completeness in all material respects by the fiscal officer of the County; and

(B) To the extent not included in the financial statements referred to in paragraph (A) hereof, the information of the type set forth below, which information may be unaudited, but is to be certified as to accuracy and completeness in all material respects by the fiscal officer of the County to the best of his or

her knowledge, which certification may be based on the reliability of information obtained from third party sources and the information of the type contained in the Official Statement in **Appendix B**.

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the County shall provide on or before such date unaudited financial statements in the format required for the audited financial statements as part of the Disclosure Information and, within ten (10) days after the receipt thereof, the County shall provide the audited financial statements.

Any or all of the Disclosure Information may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been filed with the SEC or have been made available to the public on the Internet web site of the Municipal Securities Rulemaking Board ("MSRB"). The County shall clearly identify in the Disclosure Information each document so incorporated by reference.

If any part of the Disclosure Information can no longer be generated because the operations of the County have materially changed or been discontinued, such Disclosure Information need no longer be provided if the County includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other County operations in respect of which data is not included in the Disclosure Information and the County determines that certain specified data regarding such replacement operations would be a Material Fact (as defined in paragraph (2) hereof), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations.

If the Disclosure Information is changed or the Continuing Disclosure Agreement is amended as permitted by this paragraph therein, then the County shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

(2) In a timely manner, notice of the occurrence of any of the following events which is a Material Fact (as hereinafter defined):

(A) Principal and interest payment delinquencies;

(B) Non-payment related defaults;

(C) Unscheduled draws on debt service reserves reflecting financial difficulties;

(D) Unscheduled draws on credit enhancements reflecting financial difficulties;

(E) Substitution of credit or liquidity providers, or their failure to perform;

(F) Adverse tax opinions or events affecting the tax-exempt status of the security;

(G) Modifications to rights of security holders;

(H) Bond calls;

(I) Defeasances;

(J) Release, substitution, or sale of property securing repayment of the securities; and

(K) Rating changes.

As used herein, a "Material Fact" is a fact as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Series 2011A Certificate or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the

foregoing sentence, a "Material Fact" is also an event that would be deemed "material" for purposes of the purchase, holding or sale of a Series 2011A Certificate within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

(3) In a timely manner, notice of the occurrence of any of the following events or conditions:

(A) the failure of the County to provide the Disclosure Information required under paragraph (1) under the heading "Information to be Disclosed" herein, at the time specified thereunder;

(B) the amendment or supplementing of the Continuing Disclosure Agreement together with a copy of such amendment or supplement and any explanation provided by the County under paragraph (2) under the heading "Term; Amendments; Interpretation";

(C) the termination of the obligations of the County hereunder pursuant to the terms under the Lease or Trust Agreement;

(D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared; and

(E) any change in the fiscal year of the County.

Manner of Disclosure

(1) The County agrees to make available to the MSRB, in an electronic format as prescribed by the MSRB from time to time, the information described in paragraph (1) under the heading "Information to be Provided."

(2) The County further agrees to make available, by electronic transmission, overnight delivery, mail or other means, as appropriate, the information described under the heading "Information to be Provided" to any rating agency then maintaining a rating of the Series 2011A Certificates at the request of the County and, at the expense of such Bondowner, to any Bondowner who requests in writing such information, at the time of transmission under paragraph (1) of this subsection, or, if such information is transmitted with a subsequent time of release, at the time such information is to be released.

(3) All documents provided to the MSRB pursuant to this subsection shall be accompanied by identifying information as prescribed by the MSRB from time to time.

Term; Amendments; Interpretation

(1) The covenants of the County herein shall remain in effect so long as any Series 2011A Certificates are Outstanding. Notwithstanding the preceding sentence, however, the obligations of the County herein shall terminate and be without further effect as of any date on which the County delivers to the Trustee an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the County to comply with the requirements herein will not cause participating underwriters in the primary offering of the Series 2011A Certificates to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.

(2) The Continuing Disclosure Agreement may be amended or supplemented by the County from time to time, without notice to (except as provided in paragraph (3) under the heading "Manner of Disclosure" herein) or the consent of the Owners of any Series 2011A Certificates accompanied by an opinion of Bond Counsel, who may rely on certificates of the County and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the County or the type of operations conducted by the County, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) the Continuing Disclosure Agreement as so amended or supplemented would have complied with the

requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Series 2011A Certificates, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bondowners under the Rule.

If the Disclosure Information is so amended, the County agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

(3) The Continuing Disclosure Agreement is entered into to comply with the continuing disclosure provisions of the Rule and should be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

APPENDIX E –
BOOK ENTRY ONLY SYSTEM

The following information concerning DTC and DTC's book-entry-only system have been obtained from DTC. The County and the Financial Advisor make no representation as to the accuracy of such information.

The Depository Trust Company (DTC"), New York, New York, will act as securities depository for the Series 2011A Certificates. The Series 2011A Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (ETC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2011A Certificates certificate will be issued for the Series 2011A Certificates, in the aggregate principal amount thereof, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section [17A] of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Series 2011A Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2011A Certificates on DTC's records. The ownership interest of each actual purchaser of each Series 2011A Certificate ("Beneficial Owner") is in turn to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2011A Certificates are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2011A Certificates, except in the event that use of the book-entry-only system for the Series 2011A Certificates is discontinued.

To facilitate subsequent transfers, all Series 2011A Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2011A Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2011A Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2011A Certificates are credited, which mayor may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2011A Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2011A Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Series 2011A Certificate documents. For example, Beneficial Owners of

Series 2011A Certificates may wish to ascertain that the nominee holding the Series 2011A Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Series 2011A Certificates within a Series maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2011A Certificates. Under its usual procedures, DTC mails an Omnibus Proxy to issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2011A Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the Series 2011A Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in the "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Registrar, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registrar, disbursement of such payments to the Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2011A Certificates at any time by giving reasonable notice to the County or the Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the Bond certificates will be printed and delivered to DTC.

NEITHER THE COUNTY NOR THE REGISTRAR WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEE WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE Series 2011A Certificates. THE COUNTY CANNOT AND DOES NOT GIVEN ANY ASSURANCES THAT DTC, THE DTC PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE Series 2011A Certificates PAID TO DTC OR ITS NOMINEE, AS THE REGISTERED OWNER, OR PROVIDE ANY NOTICES TO THE BENEFICIAL OWNERS OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

The Book-Entry Agreement may be terminated by either the County or DTC. In the event of such a termination, if no substitute Securities Depository can be found which is willing and able to undertake such functions upon reasonable and customary terms, the Series 2011A Certificates shall no longer be restricted to being registered in the registration books kept by the Registrar in the name of Cede & Co., as Nominee of DTC, but may be registered in whatever name or names Owners transferring or exchanging the Series 2011A Certificates shall designate, in accordance with the provisions hereof.

Portions of the foregoing concerning DTC and DTC's Book-Entry System are based on information furnished by DTC to the County. No representation is made herein by the County or the Financial Advisor as to the accuracy or completeness of such information.